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Pensions & Investments

The Newspaper of Corporate and Institutional Investing

$10 An Issue $150 A Year

AT DEADLINE

W. Virginia hires for equities

The $2.5 billion West Virginia Board of Investment hired four managers as part of a $500 million diversification into equities. The firms will be funded during the next two to three years, said H. Craig Slaughter, executive director.

Bankers Trust will run 50% of the allotment in an S&P 500 index fund; Independence Investment Associates will manage 20% in an enhanced S&P 500 index.

Chancellor Capital will manage 15% in growth equities; Duff & Phelps, 15% in value equities.

GE part of realty venture

The $32 billion General Electric pension trust and a company formed by Ross Perot Jr. formed Eagle Development Co., which will invest in mixed-use land development.

Cabot hires 4 managers

The $50 million Cabot Corp. pension trust hired three equity and one bond manager.

New equity managers are: Westfield Capital and $10 John A. Levin, which will manage $10 million each, and Wellington Management, $20 million. PanAgora will run a $10 million enhanced bond portfolio.

The hires were funded with cash and short-term assets.

Arcuni leaves New Jersey

Anthony Arcuni, deputy director at the New Jersey Division of Investment, has joined First Fidelity Bank as senior vice president and head of private banking.

Continued on page 51

INSIDE

BROOKE PLAMMER

Activists claim victory

Shareholder activists say Edward A. Brennan did it their way when he decided to spin off most of Sears' non-retail businesses. Others say the languishing stock price was the spark. Page 3.

Ameritech fund sues Salomon

By Curtis Vosti

CHICAGO — Ameritech Corp. is suing Salomon Brothers Inc. and a subsidiary after the Ameritech pension fund lost almost all of its $20.9 million investment in fee participation rights it bought from Salomon.

The $15 billion Ameritech pension fund has recouped only $526,068 directly from the four investments, made between 1987 and 1989. The fund, however, was able to recover an additional undisclosed amount in a bankruptcy court proceeding for Motels of America Inc., whose properties were the basis of most of the fee participation rights.

Though the Ameritech suit was filed Sept. 1, questions about the investments first surfaced in 1989. By Dec. 19, 1990, Ameritech informed the Department of Labor about its internal investigation of the investments. In April 1991, Ameritech's pension fund filed amended statements with the Internal Revenue Service indicating the investments were apparent prohibited transactions.

AMERITECH

In a related but separate action, Salomon also has been sued by a group of institutional investors led by Xerox Financial Services Life Insurance Co. in connection with Salomon's underwriting role in the institutions' 1989 purchase of $34 million in mortgage notes from Motels of America. It was the properties upon which those mortgages were issued — 17 Cricket Inns bought by Motels of America — that provided the fee participation rights for the fee participation portfolio Salomon sold to the Ameritech pension fund.

In return for underwriting mortgages that helped Motels of America and Best Inns Inc. finance purchases, Salomon received the fee participation rights, which Salomon described as an "equity kicker." Those rights included participation in net cash flow, any sale or refranchising proceeds and appreciation of the properties.

Both suits allege Salomon provided misleading information on the cash flow and financial health of the properties that lulled the plaintiffs into the investments. Within a year of the 1989 mortgage note sale to Xerox Financial, Motels of America defaulted on the interest payments. Four months later, in December 1990, the company filed for bankruptcy protection.

Robert Baker, a Salomon spokesman, declined comment on the suits. So did Ameritech spokesman Michael Brand. An attorney for Xerox Financial, based in Oakbrook Terrace, Ill., was not available for comment.

The financial troubles for Motels of America and later, Best Inns, resulted in the Ameritech pension fund receiving only $526,068 in cash flow payments on its $19.34 million investments in the Motels of America fee participation contracts and nothing

See **Suit** *on page 51*

Perot plan's timing scares investors

By Terry Williams and Fred Williams

Ross Perot's re-entry into the presidential race prompted economist Edward Yardeni to call him the "Freddy Krueger of American politics," the fiend from the "Nightmare on Elm Street" movies who keeps coming back from the dead.

And institutional investors believe Mr. Perot's deficit reduction plan, if implemented, would indeed be a nightmare — on the Elm streets, Main streets and Broadways of America — in the short term because of its austere measures.

Long term, the plan has its merits, the institutional investors said. But all those interviewed question whether now — in an economy that needs a mirror held under its nose to see signs of life — is the right time.

Those concerns may be moot, however, because many institutional investors don't believe Mr. Perot has a chance to win the election. Most believe Gov. Bill Clinton will be the next president.

If Mr. Perot were elected, his deficit reduction plan would go into effect in 1994, giving the recovery time to gain momentum.

The Perot plan would increase taxes on Social Security, raise Medicare premiums, curb Medicare and Medicaid costs, cut farm supports, increase the top income tax rate to 33%, restrict mortgage deductions and increase the tax on gasoline and cigarettes.

The Perot plan would decrease the $300 billion-plus federal deficit to $95 billion by 1995 and zero by 1998.

Francis Kelly, chief investment officer of The Putnam Cos. Inc., Boston, is among those questioning the timing.

See **Perot** *on page 48*

AP-WIDE WORLD PHOTOS

Ross Perot's deficit reduction plan would hurt the economy short term, pension and money management executives say.

Labor Department issues final 404(c) rule

By Fred Williams and Joel Chernoff

Final 404(c) regulation, announced Oct. 8 after five years of debate, will cause plan sponsors to scrutinize their participant-directed plans, even if they don't amend the plans to comply.

Many plan sponsors already revamped their defined contribution plans in anticipation of the regulation to provide more investment choices and information to participants.

The final rule is optional for those plan sponsors wanting to gain relief from fiduciary responsibility for individual investment selections.

The regulation excludes a requirement that an employer hire an independent fiduciary where employer stock is an investment option. A similar proposal requiring an independent fiduciary for internally managed portfolios also was dropped.

Both provisions had been included in a draft version issued in March 1991.

Under the final rule, employers choosing to comply must give participants the opportunity to:

- Choose from at least three investment options, each with different risk and return characteristics. Most guaranteed investment contracts would not qualify as one of three core investment options;
- Give investment instructions as often as appropriate — but not less than quarterly — for the market volatility of the investment;
- Make informed investment decisions because information about the plan and available investment options will be furnished to them.

Some employee benefit specialists said they do not anticipate wholesale adoption of the new regulation.

Noel Lee, consultant, William M. Mercer Inc., Dallas, said employers probably will examine the new regulation, then will "consider (adopting) it if they are already in the process of making plan design changes." But if the new regulation will cause large-scale plan changes, "there is no incentive to do that."

The protections are minimal, said Henry Saveth, consultant with A. Foster Higgins & Co., New York. "Some will say the prize is not worth the race. They don't get that much additional protection." Plan sponsors still would be on the hook for selecting and monitoring money managers, he said.

See **404(c)** *on page 49*

NEWS DIGEST

JOE MELSENG

Chrysler Corp.'s accrued unfunded pension and retiree medical liabilities — estimated to total up to $11 billion — could wipe out its entire shareholder equity. Page 49.

A San Francisco City & County Retirement System trustee sues the retirement fund over losses in its South Africa-free index fund. Page 37.

PRIM's executive director fights allegations he made decisions that benefited his former employer, State Street Bank & Trust Co. Page 39.

SPECIAL REPORT: MASTER TRUST/GLOBAL CUSTODY

The future for banks offering master trust services points to fewer and larger players, while the global custody market continues to grow. Page 17.

NBD Bank and Citibank tie for highest overall customer satisfaction for master trust banks, while Boston Safe Deposit is first for global custody. Page 17.

FINANCING

TWA and its creditors search for debtor-in-possession or other short-term financing to help lift the troubled airline out of Chapter 11. Page 2.

INTERNATIONAL

Despite the Mideast war and other global upheavals, institutional investors in the United States and abroad increase foreign stock holdings in 1991. Page 8.

REAL ESTATE

Ameritech Corp. sues Salomon Brothers over investment losses in fee participation rights based mostly on motel properties. Page 1.

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Pension fund survey in the mail

Work has begun on *Pensions & Investments'* annual survey of the top 1,000 pension funds. The questionnaires were mailed Oct. 2 and are due Nov. 8. The resulting information will be published in the Jan. 25 issue of *P&I*. If you should be included in the directory, but have not received a questionnaire, please call Karen Waters, directory coordinator, at (312) 649-5240.

Financing hunt on at TWA

PBGC, creditors 'understanding' may circumvent Icahn

By Joel Chernoff and Marlene Givant Star

Trans World Airlines Inc. and its creditors are searching for debtor-in-possession or other short-term financing to help lift the troubled airline out of Chapter 11.

An understanding reached last week by the Pension Benefit Guaranty Corp. and other creditors may enable them to circumvent TWA owner Carl Icahn. PBGC officials and Mr. Icahn have been stalemated in talks to get Mr. Icahn to stand behind a larger portion of TWA's $1.2 billion in pension underfunding as part of a reorganization plan.

Under the understanding reached between PBGC and creditors, TWA would issue a 15-year note to the PBGC secured by the airline's international routes and Kansas City maintenance facility.

The PBGC would terminate TWA's two pension plans before the airline emerged from reorganization under Chapter 11 of the federal bankruptcy code. Thus, the PBGC still would pursue claims against Mr. Icahn's other entities, notably ACF Industries. (The 1974 Employee Retirement Income Security Act permits the PBGC to recover losses incurred from terminated plans from companies that share at least 80% common ownership.)

But the potential deal between the PBGC and creditors still needs outside financing to make it viable. Mr. Icahn's promise to provide $200 million in secured loans to the airline as part of a reorganization plan that would eliminate his ownership likely would disappear if the creditors are successful.

Now, investment bankers for the creditors' committee, TWA and the PBGC separately are trying to locate debtor-in-possession financing or other short-term secured loans, said James Lockhart, the PBGC's executive director. Under DIP financing, lenders provide financing to bankrupt companies and are repaid ahead of other unsecured creditors.

"We think there's a reasonable chance to pull it together. It's not a negotiating ploy," Mr. Lockhart said.

Wilbur Ross, senior managing director of Rothschild Inc., New York, who represents unsecured TWA creditors, said: "Getting DIP financing under this situation shouldn't be a problem.

"Assuming Icahn goes along with it . . . the remaining issue would be how the (fixed-rate) bondholder creditors divvy up what's left. That's the next area for discussion."

TWA is now ready to discuss "more normal intercreditor-type

See **TWA** *on page 50*

Pension provisions doomed

Nuclear trusts face fewer prohibitions

By Hillary Durgin

WASHINGTON — Vital changes to new pension withholding rules were expected to miscarry along with other pension proposals as Congress' tax bill headed for a presidential veto.

Meanwhile, President Bush is expected to sign an energy bill removing investment restrictions on nuclear decommissioning trusts and provide funding for medical expenses of retired mineworkers and their dependents.

But other legislation containing key pension provisions fell by the wayside:

- Time constraints and opposition from banks helped kill bankruptcy reform legislation that would have bolstered the healthcare claims of retirees and active unionized workers in bankruptcy proceedings. The bill also would have permitted both the Pension Benefit Guaranty Corp. and public pension funds to obtain seats on creditors' committees.
- Irreconcilable differences between House and Senate conferees helped quash a bill that would have required companies to make retroactive, matching contributions to 401(k) plans on behalf of returning veterans.
- Dropped from final defense reauthorization legislation was a provision requiring companies with defense contracts to offer enriched early retirement benefits to workers who are laid off.

Politics is cause of death

A likely presidential veto of the tax bill would cap a year in which significant pension- and benefit-related measures have died for political reasons.

"The major lesson here is, here you have benefits provisions and pension provisions on which there is agreement and which all year have been frustrated by unrelated issues," said Frank B. McArdle, manager of Hewitt Associates' Washington office.

See **Congress** *on page 51*

High court takes pension cases

TOM REED

One pension case before the Supreme Court involves Hewitt and Kaiser Steel; another, Harold Simmons' Keystone Consolidated.

By Joel Chernoff

WASHINGTON — The Supreme Court agreed to hear two pension fund cases, including one about whether pension plan participants can sue service providers that give poor advice to a plan fiduciary.

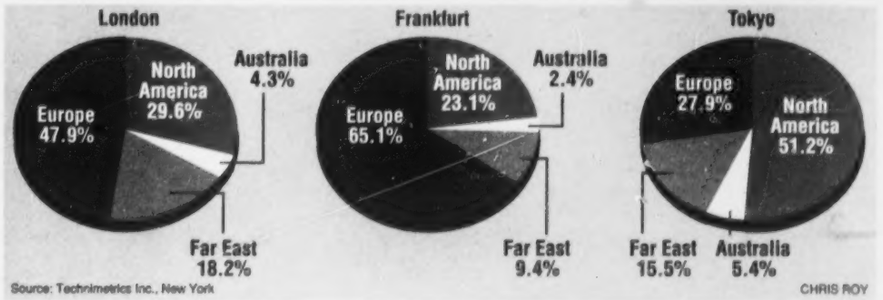
The case involves Hewitt Associates, Lincolnshire, Ill., which is being sued by retirees of a terminated Kaiser Steel pension plan for allegedly providing faulty actuarial advice.

Lower courts have found the retirees do not have grounds to sue Hewitt as a non-fiduciary to the plan. A Supreme Court ruling could expose actuaries, accountants and attorneys to potential liability. That could lead such service providers to seek strict indemnification agreements from clients, or increase their fees to offset the increased risk.

The second case involves the contribution by Keystone Consolidated Industries Inc. of unencumbered real property to its pension plan without first seeking government approval. If the Supreme Court upholds the appellate court ruling allowing the

See **Court** *on page 50*

Non-domestic equity investments



Source: Technimetrics Inc., New York CHRIS ROY

INTERNATIONAL

Institutional investors still hungry for foreign stocks

■ Despite the Mideast war, upheaval in the former Soviet republics and Japan's economic downturn, institutional investors here and abroad increased their foreign stock holdings in 1991, a new study shows.

Foreign equity holdings increased as much as 20% and investors' appetites will continue to increase throughout the decade, led by North American and European investors, said the report by Technimetrics Inc., a financial information services firm in New York.

The amount of foreign equities held by U.S. institutional investors increased more than 6% to an estimated $131.9 billion in 1991 while foreign stock investments by Continental Europeans — in neighboring markets, the U.S. and the Pacific Basin — increased nearly 20%. Europe's big gains were spurred by legislative changes.

In terms of institutional equity assets under management, Tokyo is king with more than $1.6 trillion.

New York and London are the distant runners-up with $507 billion and $477 billion respectively.

— Marlene Givant Star

REAL ESTATE

JMB jumps back into mall game

■ JMB Institutional Realty Corp., Chicago, made its first mall investment for pension clients in almost three years.

JMB, on behalf of the Wisconsin Investment Board and 49 institutional investors in one of its commingled funds, purchased a 50% equity interest in The Pavilions Mall at Buckland Hills in Buckland Hills, Conn., near Hartford.

The Wisconsin State Board and the $320 million Group Trust V, a closed-end investment trust, share equally in the investment. No price was given.

The mall interest was purchased from Homart Development Co., Chicago, which retains the remaining interest in the mall.

"This is a major move by JMB, and it announces that we are back investing in prime regional malls," said Bruce Duncan, president of JMB Institutional.

Jerry Claeys, JMB chairman, said many regional malls have been overpriced, but prices have dropped sharply in recent months.

Two years ago, the capitalization rates for top quality malls ranged from 4.75% to 6%. But cap rates for top-quality malls have now risen about 200 basis points, he said.

Higher capitalization rates generally indicate falling property prices.

The Pavilions at Buckland Hills is a two-level, enclosed regional mall containing 952,018 square feet of space for five major anchors and 364,000 square feet for specialty retail tenants in addition to substantial expansion space.

— Steve Hemmerick

The Pavilions Mall at Buckland Hills is the first mall investment JMB has made for pension funds in three years.

MONEY MANAGERS

HD International fits Credit Suisse

■ James Heyworth-Dunne, managing director and chief investment officer of HD International Ltd., London, calls the firm's acquisition by London-based Credit Suisse Asset Management Ltd. "an extremely neat fit."

HD International, which manages more than $1.6 billion for institutional clients worldwide, is an active global equity manager. About half of its assets are managed on behalf of U.S. institutions.

Credit Suisse specializes in international fixed income, Mr. Heyworth-Dunne said. What equities are managed by the new parent company will be passed to HDI. "HDI was exactly what CSAM was looking for to complete its investment management services," he said.

Mr. Heyworth-Dunne, who will retain both his titles, said HD International will "be run as an independent firm, with exactly the same investment philosophy as we have always had. We are gaining from our acquisition by Credit Suisse, significantly more funds under management, more clients, staff and support."

Credit Suisse acquired HD International from Power Financial Corp., Montreal. Terms of the deals, which is subject to contract and regulatory considerations, were not disclosed.

"The genesis of the idea was that I realized that we needed more support to grow further," said Mr. Heyworth-Dunne. "I had to make up my mind about which way to go and independence was fine, but I wanted a strong business partner rather than a venture capital partner, which we had in PFC."

Kemper Financial Services, Chicago, was reportedly a bidder for HD International, but spokesman Steve Radis would not comment on Kemper's involvement.

— Christine Philip

INVESTING

Other computer kings may follow Wang's descent

■ The recent bankruptcy filing by computer-maker Wang Laboratories Inc. was a signal to investors that even well-known companies can falter, and other computer giants could follow suit, according to The Turnaround Letter, a publication on distressed securities based in Boston.

"When we started this newsletter more than six years ago, we never expected to be writing about IBM (Corp.), Digital Equipment (Corp.) or many of the other stocks on the list below," said the newsletter, referring to such firms as Apple Computer Inc. and Hewlett-Packard Co.

While such companies once were considered elite growth stocks, all are well below their 10-year highs and several have been declining for a number of years.

"Many of these companies are now turnaround candidates and probably not all of them will make it," the newsletter said.

As computers get smaller, faster and cheaper, big companies will have to either keep up with the changes in the market or go the way of Wang.

The newsletter did single out some companies that are worth keeping an eye on, especially since Wall Street has pummeled the prices of high-tech stocks. Among them: Data General Corp. and IBM.

— Marlene Givant Star

ASSOCIATIONS

Warsaw plays host to CFA test East Europe-style

■ For the first time ever, the chartered financial analyst exam was offered in Eastern Europe.

Two Poles, Dariusz Pronczuk and Jaroslaw Szwankowski, were the only exam-takers in Warsaw, the Eastern European locale, and one of 140 sites worldwide. The test was offered by the Association for Investment Management and Research, Charlottesville, Va.

Mr. Pronczuk, an analyst at a small investment bank based in Warsaw, said he thought gaining a CFA would enhance his career. "As more and more American banks and financial institutions are coming into Poland, it might be quite useful," the 31-year-old analyst said.

His firm, Hejka Michna Inc. Capital Markets, was founded by three individuals, two of whom had Polish backgrounds and experience in trading on Wall Street. The firm has enticed $20 million to $30 million in foreign capital to Poland this year, he said.

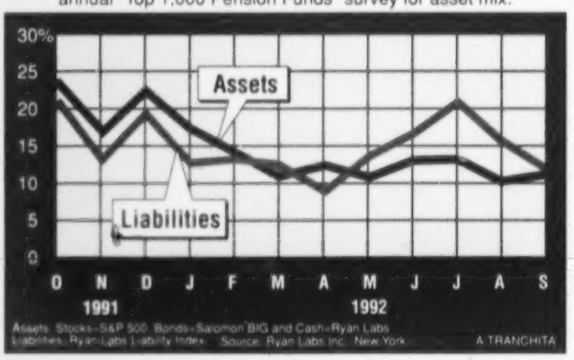
But Mr. Pronczuk does not think he did well on the test because the rules were changed. While he was preparing for a multiple-choice test, this year's exam asked for written answers. His English is not yet up to snuff, he said.

Lest Mr. Pronczuk feel too bad, about 40% of the applicants fail the test.

— Joel Chernoff

Ryan Labs Pension Fund Monitor

Total returns of assets and liabilities using *Pensions & Investments'* annual "Top 1,000 Pension Funds" survey for asset mix.



Assets: Stocks–S&P 500; Bonds–Salomon BIG and Cash–Ryan Labs
Liabilities: Ryan Labs Liability Index Source: Ryan Labs Inc., New York A.TRANCHITA

BENEFITS

IBM making huge medical payouts

■ A major chunk of the $2.1 billion charge against earnings IBM Corp. is taking this year will go to cover medical benefits of employees leaving the company.

Armonk, N.Y.-based IBM recently announced that 40,000 employees are expected to leave the company worldwide as part of a buy-out plan. Last year, IBM had taken a $3.4 billion charge in anticipation that 20,000 employees would leave the company, but the numbers of employees taking advantage of the plan has soared.

Little known is that many of these employees are departing on a "leave of absence" program, which entitles them to full medical benefits and additional pension accruals until they retire.

Departing employees also are awarded severance benefits of up to one year's pay.

While IBM has not broken out the costs of the program, paying for medical benefits is a large chunk.

The effect on IBM's pension fund, however, is minimal; no changes in its personnel or investment strategy are expected, a spokesman said.

— Joel Cheroff

Pension executives rate trust service

Boston Safe, NBD, Citibank earn top scores

By Fred Williams

NBD Bank, Detroit, and Citibank, New York, tied for highest overall customer satisfaction rating for master trust banks, while Boston Safe Deposit Trust Co., Boston, was first for global custody banks.

Those are the results of *Pensions & Investments'* biennial survey of corporate plan sponsors.

For master trust, both NBD and Citibank received 4.67 ratings — of a possible 5.0 — in customer satisfaction. Boston Safe; First Kentucky Trust Co., Louisville; and U.S. Trust Co. of New York tied for second. Each received 4.5.

In global custody, Boston Safe — whose scores were combined with those of its parent, The Boston Co. — received a rating of 4.2. Tied for second, with a 4.0 score, were: NBD; Citibank; Bank of New York; and Harris Trust and Savings Bank, Chicago.

P&I's survey also showed 77% of plan sponsors view master trust fees as average, compared with 12% that believe their bank master trust fees are too high.

The survey asks corporate plan sponsors to rate master trustees on a variety of topics, including bank reporting; quality and promptness of the bank's systems; service orientation; and on-line capabilities.

Global custodians also were rated on settlement capabilities, dividend and interest posting procedures, country coverage and reporting.

Several master trust banks improved their overall customer satisfaction ratings during the two years since the 1990 survey by making deliberate efforts to improve customer service, bank executives said.

Citibank jumped to 4.67 from 3.83 in 1990; NBD moved up to 4.67 from 4.1; Boston Safe increased to 4.5 from 4.16; and Bankers Trust Co., New York, moved to 4.32 from 4.06.

(In the 1990 survey, Manufacturers National Bank of Detroit — now part of Comerica Bank — was No. 1 in master trust overall satisfaction, followed by Mellon Bank, Pittsburgh and U.S. Trust. In the global custody area, Mellon ranked first in overall satisfaction, followed by Northern Trust Co., Chicago, and Chase Manhattan Bank, New York.)

This year, Citibank received the highest overall satisfaction rating in master trust from its client base in the area of personnel quality and knowledge, with a 5.0 rating. Following were Bank of America, Los Angeles, with 4.8; Marine Midland Bank, New York, and First Kentucky, both with 4.5; Boston Safe, 4.38; Bank of New York, 4.33; and Bankers Trust, 4.32.

Securities lending has evolved into an important role of master trust providers. As in other categories, several banks finished with very close overall satisfaction scores.

NBD topped the customer satisfaction rating for securities lending with 5.0. Harris Trust received 4.67; Boston Safe, Chase Manhattan and Bank of America, Los Angeles, all with 4.5; and Bank of New York, 4.25.

In the area of reporting capabilities — including consistency in meeting deadlines, quality of reports, promptness in correcting errors and flexibility of reporting — NBD received the highest overall customer satisfaction rating with 4.67. Boston Safe received 4.625, while U.S. Trust and First Kentucky scored 4.5.

For systems capabilities, Boston Safe received an overall satisfaction rating of 4.75, followed by First Kentucky and Marshall & Ilsley Trust Co., Milwaukee, both with 4.5. Citibank had 4.33; Bankers Trust, 4.32.

The dramatic increase in overall customer satisfaction ratings at NBD came as a direct result of increased emphasis on quality and client relationships, said Clarence Kufel, first vice president and manager of master trust.

"We have focused more of our efforts on quality and how to meet the concerns of our clients by concentrating more on their individual, unique needs rather than

See **Services** *on page 34*

Sponsors' satisfaction with their master trustee banks*

	Average rating
Citibank	4.67
NBD Bank	4.67
First Kentucky Trust	4.50
U.S. Trust/New York	4.50
Boston Safe Deposit	4.33
Bankers Trust	4.32
Bank of New York	4.20
State Street Bank	4.16
Mellon Bank	4.15
First Trust	4.00
Marshall & Ilsley	4.00
Wachovia Bank	4.00
Chase Manhattan	3.92
Bank of America	3.76
Northern Trust	3.73
Chemical Bank	3.44
Harris Trust & Savings	3.43

*Excludes those receiving less than five votes.
Source: *Pensions & Investments*

JOHN J. BOHORQUEZ

Master trust/custody banks ranked by U.S. tax-exempt assets

($ millions)

Firm	Total	Master trust	Master custody
State Street	428,508	169,288	259,220
Bankers Trust	338,900	226,200	112,700
Chase Manhattan	233,000	80,000	153,000
Northern Trust	227,278	135,056	92,222
Bank of New York	206,811	94,328	112,483
Boston Safe Deposit	190,725	60,625	130,100
Mellon Bank	183,086	141,217	41,869
Citibank	141,052	37,688	103,364
Harris Trust & Savings	88,323	55,711	32,612
NationsBank	83,700	66,000	17,700
Bank of America	81,000	24,000	57,000
Chemical Bank	54,200	20,200	34,000
Fiduciary Trust	48,570	570	48,000
Wachovia	44,190	34,344	9,846
NBD Bank	41,792	14,622	27,170
PNC Financial	38,118	3,418	34,700
Comerica	36,706	20,581	16,125
U.S. Trust/New York	36,300	24,300	12,000
First Interstate/Calif.	31,000	1,000	30,000
Boatmen's Trust	30,643	3,402	27,241
Continental Bank	24,258	16,526	7,732
Wilmington Trust	23,601	23,072	529
Society Corp.	19,724	5,579	14,145
CoreStates Bank	12,621	3,836	8,785
First Nat'l/Maryland	12,510	410	12,100
Norwest Bank	8,964	4,520	4,444
Montreal Trust/Canada	8,400	8,400	0
Firstar Trust	8,000	3,500	4,500
Riggs Nat'l	7,000	0	7,000
Security Trust	6,619	1,680	4,939
Bank of Boston	5,599	2,595	3,004
LaSalle Nat'l Trust	5,480	1,700	3,780
First Trust Nat'l	4,833	2,278	2,555
Fleet Investment Services	4,737	3,795	942
SunTrust Banks	4,612	3,476	1,136
Marine Midland	3,800	2,000	1,800
Marshall & Ilsley	3,700	1,700	2,000
Bank IV	3,475	796	2,679
First Tennessee Bank	2,964	267	2,697
First Nat'l/Chicago	1,799	955	844
BayBanks	1,644	473	1,171
Signet Trust	1,462	1,462	0
Bank of Oklahoma	1,304	1,253	51
Hibernia Nat'l	1,247	827	420
Union Bank and Trust	1,170	0	1,170
AmSouth Bank	368	281	87
Mercantile Bank-St. Louis	101	101	0
TOTAL	2,744,864	1,304,852	1,439,862

Domestic market tightens

Banks pin hopes on 401(k) plans and global custody

By Sabine Schramm

The future for banks offering master trust and custody services, competing in a mature market with tightening profit margins, points to fewer and larger players.

The global market continues to grow, as large public funds enter the international arena. But the domestic market, with few new master trust accounts being established, is relatively finite.

Most new activity on the domestic side is with funds changing master trust banks and companies needing trustees when establishing defined contribution plans. Only on the global custody front is there an influx of assets, said Gregory di Pretoro, vice president at Chemical Bank, New York.

"Most entities are looking for worldwide exposure as a prudent way of spreading risk," Mr. di Pretoro said. He noted that when a large public fund moves into overseas investing, it forces growth in the area, even with a small allocation.

The domestic master trust/custody market "is somewhat saturated," said Michael Costa, principal at MLC Associates, Putnam Valley, N.Y. The firm specializes in trust and custody consulting. Since there is not a lot of new business, "switches are more important for gaining market share."

With the overall economic decline, banks are pushing hard in this area, Mr. Costa said.

In this year's survey of master trust, master custody and global custody banks by *Pensions & Investments*, State Street Bank and Trust Co., Boston, retained its ranking as the largest master trust/custody bank and the largest global custodian bank. State Street had $428.5 billion in master trust/custody assets for U.S. institutional tax-exempt assets as of June 30, and $44 billion in global custody assets for U.S. institutional tax-exempt clients.

Second in master trust and master custody was Bankers Trust Co., New York, with $338.9 billion. Bankers Trust was second last year as well.

Chase Manhattan Bank, New York, placed third domestically this year, with $233 billion. Chase changed places with Boston Safe Deposit and Trust Co. Chase was sixth last year, and Boston Safe was third. This year, Boston Safe dropped to sixth.

The Northern Trust Co., Chicago, with $227.3 billion, was fourth, moving down one notch. Fifth this year and last was The Bank of New York, with $206.8 billion as of June'30.

In global custody, Fiduciary Trust Co. International, New York, followed State Street Bank, with $35 billion. Next was Boston Safe, $22.1 billion; Chase, $21.2 billion; and Bankers Trust, $18 billion.

State Street was first in global custody last year as well, followed by Boston Safe, Chase, Northern Trust and Bankers Trust.

One feature of the past year has been the formation of giant trust companies through consolidations and acquisitions. And commodity-priced master trust/custody services have lowered profit margins, making economies of scale necessary in order to ensure a profit.

More consolidations and thinner profit margins are "the shape of things to come," said Jim Wahl, senior vice president, NationsBank, Charlotte, N.C. "By the end of the decade, I think there will only be a dozen or so true master trustees."

The most recent consolidation was the purchase of The Boston Co. and its subsidiary, Boston Saf, by Mellon Bank Corp. With a combined $373.8 billion in master trust/custody assets under administration, the new entity would place just behind State Street Bank, according to *P&I's* survey.

Other large mergers include: NCNB and C&S/Sovran formed NationsBank; Security Pacific Bank merged with Bank of America; Manufacturers Hanover merged with Chemical Bank and Manufacturers Bank of Detroit merged with Comerica. The mergers did not greatly affect rankings by tax-exempt assets.

Steve Appell, director of the U.S. marketing group for State Street Bank, agrees that for the major players, economies of scale are necessary to offer more attractive fee quotes.

State Street's successful competitive bid for the $68 billion California Public Employees' Retirement System's domestic and global custody business earlier this year prompted discussion on what might happen to the pricing of master trust/custody services. State Street bid half a basis point annually for a five-year contract (*Pensions & Investments*, April 13).

Mr. Appell pointed out this kind of bidding is not new to the business. He said fierce bidding often occurs at the corporate level, but the high profile of the California fund may have prompted more discussion.

MLC Associates' Mr. Costa believes pricing competition has been wonderful for clients and good for the industry by cutting fat. But fewer players means less competition, he said, adding, "we will see the beginning of the end of the price war."

Also, "plan sponsors are getting concerned about quality of service being impacted by the squeeze on prices," Mr. Appell said.

Pricing is very competitive, said Jeanne Hlavacek, investment consultant for Hewitt Associates, Lincolnshire, Ill. But she noted banks offer offer other services to clients that are more profitable than straight trust and custody. Mr. Appell cited such services as foreign exchange, performance

See **Market** *on page 36*

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MASTER

AmSouth Bank

P.O. Box 11426, Birmingham, Ala. 35202; (205) 326-4614

	($ millions)
Tax-exempt U.S. master trust assets	281
Tax-exempt U.S. master custody assets	87
Tax-exempt U.S. master trust clients	7
Tax-exempt U.S. master custody clients	1
Account supervisors	4

Reports available on-line:
- Monthly transaction
- Asset & liability

AmSouth Bank reported new, tax-exempt domestic master trust business of $5 million from one client in the year ended June 30 and new, tax-exempt domestic master custodial business of $60 million from one client.

The primary accounting method is accrual.

Services offered in the basic master trust/master custodial agreement are trustee/custody.

Plan accounting and performance are available for additional fees.

Record-keeping services offered include 401(k) services.

Fees for domestic services are based on market value and transactions.

The client contact is Phillip Anderson.

Bank of America

333 S. Grand Ave., Suite 1740, Los Angeles, Calif. 90017; (213) 229-2924

	($ millions)
Tax-exempt U.S. master trust assets	24,000
Tax-exempt U.S. master custody assets	57,000
Tax-exempt U.S. master trust clients	597
Tax-exempt U.S. master custody clients	54
Account supervisors	135

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Bank of America reported new, tax-exempt domestic master trust business of $200 million from eight clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $5.284 billion from 31 clients.

The primary accounting method is trade date for trust accounts and cash for custody accounts. Settlement date, accrual, average cost, LIFO, FIFO, scientific, and amortization/accretion methods also are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, trade settlement and clearing, unitized accounting and reporting, income collection and credit, automatic cash sweep, capital change notification, corporate action and proxy notification, cash management, on-line access, benefit payments and ERISA reporting.

Domestic and global securities lending, global custody, custom reports, performance measurement and analytics, electronic funds transfer, collective investment funds and investment management services, participant record-keeping, prototype plans, employee communications and enrollment packages are available for additional fees.

Record-keeping services offered include participant record-keeping for defined contribution plans.

Fees for domestic services are based on asset market value and unbundled transaction fees.

The client contact is Chris Alders.

Bank of Boston

Institutional and Master Trust, P.O. Box 1882, Boston, Mass. 02105; (617) 575-2000

	($ millions)
Tax-exempt U.S. master trust assets	2,595
Tax-exempt U.S. master custody assets	3,004
Tax-exempt U.S. master trust clients	40
Tax-exempt U.S. master custody clients	15
Account supervisors	6

Reports available on-line:
- Monthly transaction
- Asset & liability

Bank of Boston reported new, tax-exempt domestic master trust business of $293.1 million from two clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $70.5 million from one client.

The primary accounting method is trade date. Settlement date and cash basis also are offered.

Services offered in the basic master trust/master custodial agreement are asset safekeeping and settlement, income collection, corporate action processing, cash management, options and futures processing and accounting and reporting.

Global custody, benefit disbursements, securities lending, on-line access, plan accounting, endowment donor accounting, performance measurement, universe comparison and participant record-keeping are available for additional fees.

Fees for domestic services are based on market value, transactions and portfolio charges.

The client contact is Matthew M. Soldano.

Bank IV

P.O. Box 4, Wichita, Kan. 67201-0004; (316) 261-4555

	($ millions)
Tax-exempt U.S. master trust assets	796
Tax-exempt U.S. master custody assets	2,679
Tax-exempt U.S. master trust clients	142
Tax-exempt U.S. master custody clients	31
Account supervisors	9

Reports available on-line:
- Monthly transaction
- Asset & liability

Bank IV's primary accounting method is trade date with accruals. Trade date without accruals, settlement date with accruals and settlement date without accruals also are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, cash sweeps, individually designed statements and trusteeship.

Performance analysis and on-line direct access terminals are available for additional fees.

Fees for domestic services are based on number and type of assets, number of transactions and dollar value of assets.

The client contact is Roger A. Ramseyer.

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For more information on The Bank of Bermuda, please contact Lily Outerbridge at The Bank of Bermuda Ltd., 6 Front St., P.O. Box 1020, Hamilton, Bermuda HM DX or call: 809-295-4000 ext. 3554.

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The Bank of New York

1 Wall Street, New York, N.Y. 10286; (212) 495-1784

	($ millions)
Tax-exempt U.S. master trust assets	94,328
Tax-exempt U.S. master custody	112,483
Tax-exempt U.S. master trust clients	216
Tax-exempt U.S. master custody clients	92
Account supervisors	63

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

The Bank of New York reported new, tax-exempt domestic master trust business of $11.37 billion from 11 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $29.02 billion from eight clients.

The primary accounting method is trade and settlement date. Average cost, tax lot basis, amortized cost and liability also are offered.

Services offered in the basic master trust/master custodial agreement are global safekeeping, trust administration, multicurrency portfolio accounting and reporting, multiple STIFS, zero balance sweeps, on-line services, ERISA reporting and client training.

Benefit payments, plan accounting, performance measurement/analytics, consulting services, lending and customized STIFs are available for additional fees.

Record-keeping services offered include monthly, quarterly and annual portfolio accounting.

Fees for domestic services are based on market value of assets, transaction volume, portfolio structure and services required.

The master trust client contact is Howard Phillips; the master custody client contact is John Ehrmann.

Bank of Oklahoma

Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, Okla. 74192; (918) 588-6503

	($ millions)
Tax-exempt U.S. master trust assets	1,253
Tax-exempt U.S. master custody assets	51
Tax-exempt U.S. master trust clients	43
Tax-exempt U.S. master custody clients	2
Account supervisors	3

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Bank of Oklahoma's primary accounting method is unitized master trust. Share accounting also is offered.

Services offered in the basic master trust/master custodial agreement are full custody service, portfolio pricing, proxy voting, reporting, fail float control and cash management.

Remote system access and performance measurement are available for additional fees.

Other record-keeping services offered include participant and pension payments.

Fees for domestic services are based on account and transaction fees with administrative risk premium based on the market value.

The client contact is Denise Williams.

Bankers Trust Co.

280 Park Ave., New York, N.Y. 10017; (212) 454-2065

	($ millions)
Tax-exempt U.S. master trust assets	226,200
Tax-exempt U.S. master custody	112,700
Tax-exempt U.S. master trust clients	398
Tax-exempt U.S. master custody clients	128
Account supervisors	262

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Bankers Trust Co. reported new, tax-exempt domestic master trust business of $9.7 billion from 22 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $2.4 billion, from 16 clients.

The primary accounting method is full accrual contractual date accounting that maintains both trade and contractual settlement date positions. Tax lot accounting, FIFO, LIFO, high cost/low cost and recording inventory on an average cost basis also are offered.

Services offered in the basic master trust/master custodial agreement are securities safekeeping; full accrual accounting and reporting on a daily, weekly, monthly, or special cycle basis; plan accounting; income collection, including full tax reclamation; cash management; security trade processing; investment manager liaison; legal and regulatory updates; and full on-line access through PC-based workstations.

Domestic and international securities lending; global custody; performance measurement and analytics; customized graphics; benefit payments; proxy voting; investment management; actively managed STIF accounts; discount brokerage; investment consulting; dividend re-investment program; trade execution monitoring; defined contribution participant record-keeping; and participant education services are available for additional fees.

Record-keeping services offered include staffed dedicated participant service centers; on-line plan sponsor inquiry and transaction system; automated and customized participant voice response system; full loan administration including promissory note issuance; tax calculations; transfer and reallocations between funds; forfeiture processing; unit, share and cash accounting; daily, weekly, monthly, quarterly and annual valuations; and employee communications.

Fees for domestic services are based on the number of portfolios, transaction volumes and administration services provided.

The master trust client contact is Allan Martin; the master custody client contact is Bob Betz.

BayBank

7 New England Executive Park, Burlington, Mass. 01803; (617) 229-4587

	($ millions)
Tax-exempt U.S. master trust assets	473
Tax-exempt U.S. master custody assets	1,171
Tax-exempt U.S. master trust clients	17
Tax-exempt U.S. master custody clients	21
Account supervisors	2

Reports available on-line:
Monthly transaction
Asset & liability

BayBank reported new, tax-exempt domestic master trust business of $35 million from two clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $137 million, from three clients.

The primary accounting method is accrual. Cash also is offered.

Services offered in the basic master trust/master custodial agreement are custody, capital actions, income collections and trade settlements.

Pension payment processing is available for additional fees.

Other record-keeping services offered include participant accounting for 401(k) and profit sharing plans.

Fees for domestic services are based on asset value.

The client contact is Eugene D. Mahoney.

Boatmen's Trust Co.

100 N. Broadway, St. Louis, Mo. 63102; (314) 466-3800

	($ millions)
Tax-exempt U.S. master trust assets	3,402
Tax-exempt U.S. master custody assets	27,241
Tax-exempt U.S. master trust clients	20
Tax-exempt U.S. master custody clients	96
Account supervisors	30

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Boatmen's Trust Co. reported new, tax-exempt domestic master trust business of $74 million from two clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $1.31 billion, from 14 clients.

The primary accounting method is settlement date. Trade date also is offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, settlement, transaction processing, unitized valuations, consolidated reporting, basic performance measurement and cash management.

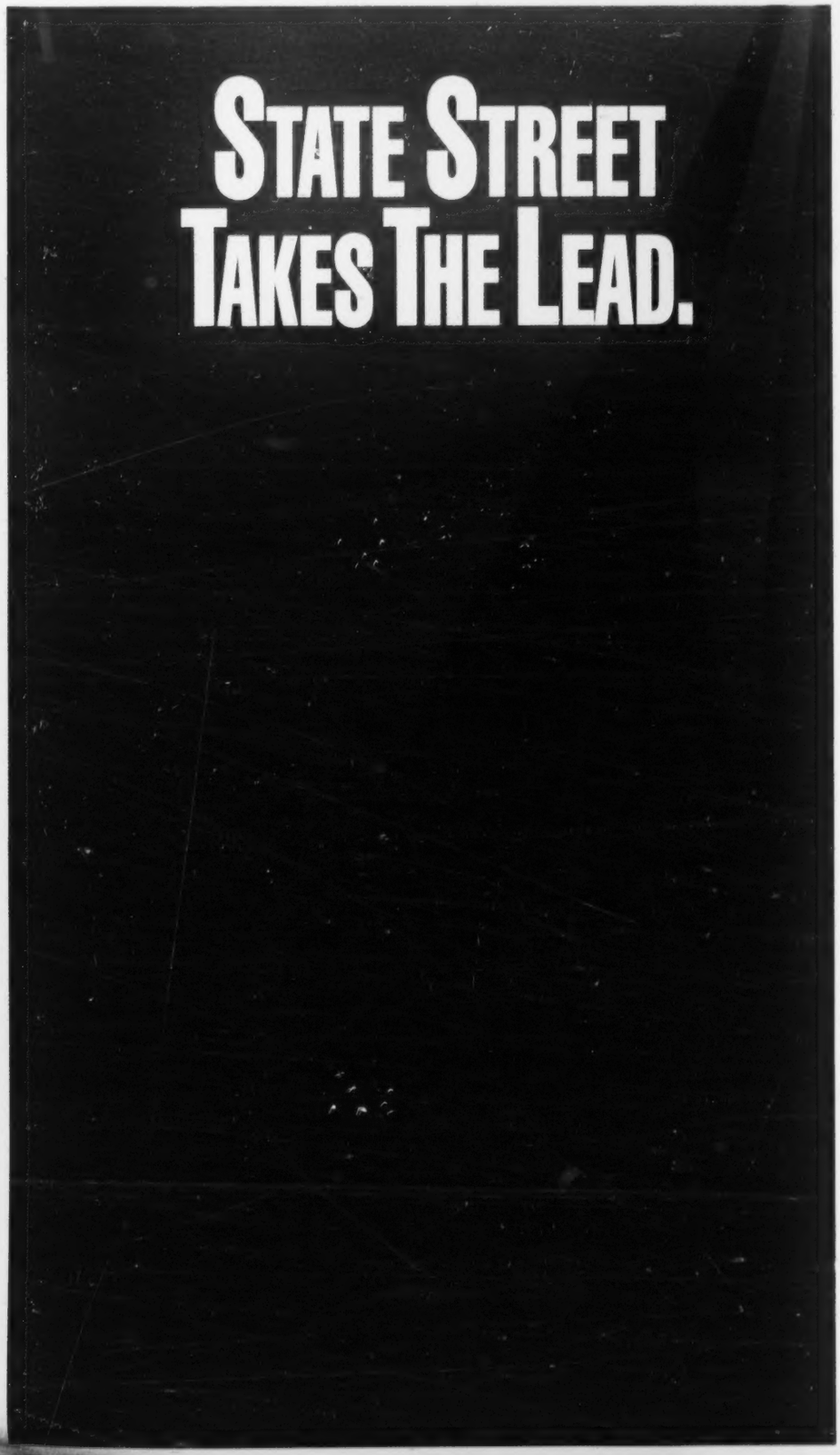
Securities lending, on-line reporting, advanced performance measurement, benefit disbursements and enhanced cash management are available for additional fees.

Other record-keeping services offered include defined contribution participant record-keeping, loan administration, DOL reporting, general ledger reporting, discrimination testing and IRS 5500 preparation.

Fees for domestic services are based on specific services provided.

The client contact is Richard W. Hibbs.

Pensions & Investments' Oct. 26 special report will focus on investing in emerging markets.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Hong Kong 852-840-5300
Sydney 61-2-963-8411
Wellington 64-4-499-3898
State Street
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Asset & liability
Performance measurement

CoreStates Bank reported new, tax-exempt domestic master trust business of $150 million from two clients in the year ended June 30.

The primary accounting method is full accrual and trade date accounting. Settlement date accounting also is offered.

Services offered in the basic master trust/master custodial agreement are asset administration, cash basis accounting and accrual accounting.

Performance measurement, performance comparison, client terminal, securities lending, index fund management, fixed-income and equity management, global custody, corporate actions automated notification and processing, private placement processing and TMS report writing are available for additional fees.

Other record-keeping services offered include participant record-keeping for defined contribution plans, pension payroll and proxy voting.

Fees for domestic services are based on assets and transactions.

The master trust client contact is Marietta Castellano; the master custody client contact is Sheila Kavanagh.

Directory of investment management consultants: Dec. 7.

Fiduciary Trust Co. International

2 World Trade Center, New York, N.Y. 10048; (212) 466-4100

	($ millions)
Tax-exempt U.S. master trust assets	570
Tax-exempt U.S. master custody assets	48,000
Tax-exempt U.S. master trust clients	160
Tax-exempt U.S. master custody clients	2,000
Account supervisors	15

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Fiduciary Trust Co. International reported new, tax-exempt domestic master trust business of $100 million from one client in the year ended June 30 and new, tax-exempt domestic master custodial business of $1 billion from four clients.

The primary accounting method is cash basis. Accrual basis also is offered.

Services offered in the basic master trust/master custodial agreement are custody safekeeping, accounting and reporting of assets, and access to various on-line systems.

Investment analytics, pension payment systems and customized reports are available for additional fees.

Other record-keeping services offered include tax reporting and pension payment systems.

Fees are based on per issue for domestic and market value for international.

The client contact is John Laut.

First Interstate Bank

707 Wilshire Blvd., Los Angeles, Calif. 90017; (213) 614-2291

	($ millions)
Tax-exempt U.S. master trust assets	1,000
Tax-exempt U.S. master custody assets	30,000
Tax-exempt U.S. master trust clients	105
Tax-exempt U.S. master custody clients	50
Account supervisors	32

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

First Interstate Bank reported new, tax-exempt domestic master trust business of $20.5 billion from 20 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $7 billion from eight clients.

The primary accounting method is settlement date. Trade date, tax lot, unitized accounting also are offered.

Services offered in the basic master trust/master custodial agreement are securities settlement, income collection, investment of idle cash, safekeeping of assets, receipt of funds and disbursements.

On-line real-time access, customized reporting, performance measurement, securities processing, portfolio lending and global custody are available for additional fees.

Fees for domestic services are based on market value and transactions.

The master trust client contact is Amru Khan; the master custody client contact is Roger Facklam.

The First National Bank of Chicago

1 First National Plaza, Suite 0448, Chicago, Ill. 60670-0448; (312) 732-8130

	($ millions)
Tax-exempt U.S. master trust assets	955
Tax-exempt U.S. master custody assets	844
Tax-exempt U.S. master trust clients	12
Tax-exempt U.S. master custody clients	5
Account supervisors	4

Reports available on-line:
Monthly transaction

The First National Bank of Chicago reported new, tax-exempt domestic master custodial business $130 million from one client in the year ended June 30.

The primary accounting method is cash and settlement date. Full accrual and trade date also are offered.

Services offered in the basic master trust/master custodial agreement are custody and securities processing, automated cash management, accounting reports, Form 5000 worksheets and benefit disbursements.

On-line input, inquiry and download, performance measurement, plan allocation reports and magnetic media output are available for additional fees.

Fees for domestic services are based on market value, activity and services provided.

The client contact is Marcia L. Wallace.

The First National Bank of Maryland

25 S. Charles St., Baltimore, Md. 21201; (410) 244-4542

	($ millions)
Tax-exempt U.S. master trust assets	410
Tax-exempt U.S. master custody assets	12,100
Tax-exempt U.S. master trust clients	13
Tax-exempt U.S. master custody clients	8
Account supervisors	23

Reports available on-line:
Monthly transaction
Asset & liability

The First National Bank of Maryland reported new, tax-exempt domestic master custodial business of $600 million from three clients in the year ended June 30.

The primary accounting method is cash or accrual. Settlement date or trade date also are offered.

Services offered in the basic master trust/master custodial agreement are security safekeeping, income collection, cash sweep, monthly reporting, plan accounting and on-line access.

Pension payment, performance measurement, unit accounting and security lending are available for additional fees.

Other record-keeping services offered include participant record-keeping.

Fees are a flat price or based on market value plus activity.

The client contact is Joseph Baker.

First Tennessee Bank

P.O. Box 84, Memphis, Tenn. 38101; (901) 681-2404

	($ millions)
Tax-exempt U.S. master trust assets	267
Tax-exempt U.S. master custody assets	2,697
Tax-exempt U.S. master trust clients	9
Tax-exempt U.S. master custody clients	10
Account supervisors	3

Reports available on-line:
Monthly transaction
Performance measurement

First Tennessee Bank reported new, tax-exempt domestic master trust business of $21 million from two clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $523 million from three clients.

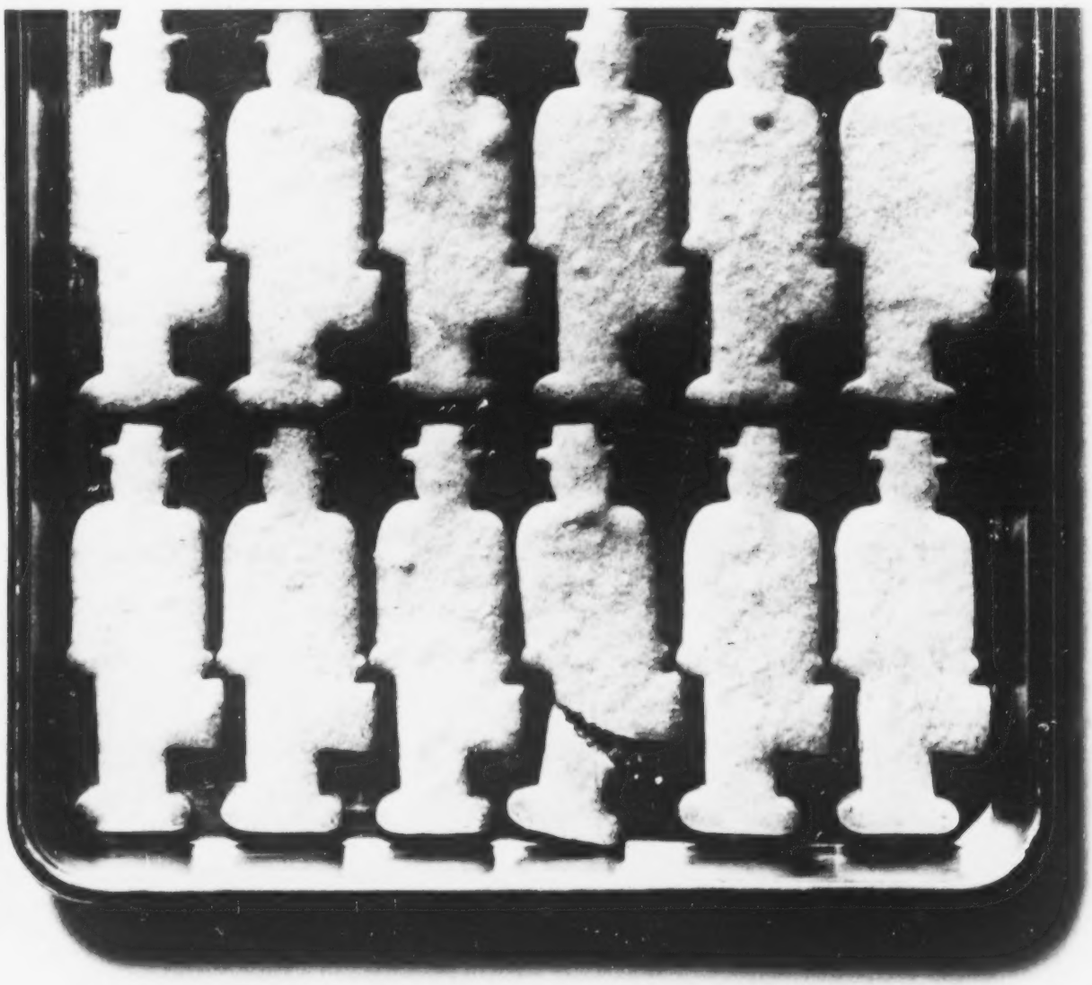
The primary accounting method is settlement date with accrual. Trade date also is offered.

Services offered in the basic master trust/master

Global custodians ranked by tax-exempt assets

Firm	Global custody ($ millions)
State Street Bank	43,400
Fiduciary Trust	35,000
Boston Safe Deposit	22,059
Chase Manhattan	21,200
Bankers Trust	18,000
Northern Trust	16,524
Mellon Bank	9,780
Chemical Bank	8,000
J.P. Morgan	7,400
Morgan Stanley-Global	5,603
Bank of America	5,100
Bank of New York	4,740
Harris Trust	4,100
First Nat'l/Chicago	3,500
Citibank	2,000
PNC Financial	1,700
Brown Brothers Harriman	1,500
Bank of Boston	1,203
NBD Bank	700
Barclays Bank	620
NationsBank	510
U.S. Trust/New York	479
Boatmen's Trust	415
First Trust	400
Continental Bank	400
Goldman Sachs	385
Comerica	327
First Interstate/Calif.	320
Wachovia	270
Norwest Bank	270
SunTrust Banks	165
LaSalle Nat'l	90
TOTAL	216,168

Source: *Pensions & Investments* JOHN J. BOHORQUEZ



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SUNTRUST
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custodial agreement are asset custody and safekeeping, collection of interests and dividends, corporate reorganization activity, trade settlements, proxy voting passthrough and brokerage commission reporting.

TUCS reporting, loan and insurance administration, benefit payments and tax reporting are available for additional fees.

Other record-keeping services offered include participant record-keeping.

Fees for domestic services are based on assets and services rendered.

The client contact is Deborah McDonald.

First Trust National Association

180 E. Fifth St., St. Paul, Minn. 55101; (612) 223-7559

($ millions)	
Tax-exempt U.S. master trust assets	2,278
Tax-exempt U.S. master custody assets	2,555
Tax-exempt U.S. master trust clients	19
Tax-exempt U.S. master custody clients	11
Account supervisors	8
Reports available on-line:	
Monthly transaction	
Asset & liability	

First Trust National Association's primary accounting method is settlement date. Trade date also is offered.

Services offered in the basic master trust/master custodial agreement are cash management, income and principal collection, corporate actions, custody, deposit/delivery, dividend reinvestment, gifting, pledging, pricing, problem resolution, proxies, reporting, re-registration, signature guarantee, trade reporting and settlement.

Dial up/download, manual cash management, securities lending, tax services and trade date accounting are available for additional fees.

Fees are based on market value, transactions and safekeeping.

The client contact is Mike Eidem.

Firstar Trust Co.

P.O. Box 2054, Milwaukee, Wis. 53201-2054; (414) 765-4906

($ millions)	
Tax-exempt U.S. master trust assets	3,500
Tax-exempt U.S. master custody assets	4,500
Tax-exempt U.S. master trust clients	35
Tax-exempt U.S. master custody clients	7
Account supervisors	4
Reports available on-line:	
Monthly transaction	
Asset & liability	

Firstar Trust Co., formerly First Wisconsin Trust Co., reported new, domestic master custodial business of $21 million from one client in the year ended June 30.

The primary accounting method is fully accrued trade date adjusted. Cash accounting also is offered.

Services offered in the basic master trust/master custodial agreement are asset custody, settlement accounting and reporting and cash management.

Plan accounting, securities lending, on-line access, performance measurement and TUCS are available for additional fees.

Fees are based on assets, transactions, and specific services.

The client contact is Robert J. Aubrecht.

Fleet Investment Services

100 Westminster St., Providence, R.I. 02903; (401) 278-3318

($ millions)	
Tax-exempt U.S. master trust assets	3,795
Tax-exempt U.S. master custody assets	942
Tax-exempt U.S. master trust clients	78
Tax-exempt U.S. master custody clients	22
Account supervisors	19
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Fleet Investment Services reported new, tax-exempt domestic master trust business of $504 million from six clients in the year ended June 30.

The primary accounting method is cash.

Fees are based on assets, transactions and a base fee.

The client contact is Marshall Raucci Jr.

Harris Trust and Savings Bank

111 W. Monroe St., Chicago, Ill. 60603; (312) 461-7637

($ millions)	
Tax-exempt U.S. master trust assets	55,711
Tax-exempt U.S. master custody assets	32,612
Tax-exempt U.S. master trust clients	94
Tax-exempt U.S. master custody clients	12
Account supervisors	33
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Harris Trust and Savings Bank reported new, tax-exempt domestic master trust business of $857 million from 14 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $4.015 billion from two clients.

The primary accounting method is accrual/trade date. Cash/settlement-date also is offered.

Services offered in the basic master trust/master custodial agreement are custody, safekeeping, financial accounting and reporting, trade clearance and settlement, income collections, corporate actions processing, proxy reporting and processing, cash sweep and investment.

Record-keeping, securities lending, on-line access, global custody, benefits payments, performance measurement, universe comparison, investment consulting, custom cash management and systematic investment management are available for additional fees.

Fees are based on the number of investment managers, total market value of the plan, transaction volume and ancillary services.

The master trust client contact is Nancy B. Wolcott; the master custody client contact is George H. Walper Jr.

Hibernia National Bank

Trust Group — P.O. Box 61540, New Orleans, La. 70161; (504) 586-5531

($ millions)	
Tax-exempt U.S. master trust assets	827
Tax-exempt U.S. master custody	420
Tax-exempt U.S. master trust clients	9
Tax-exempt U.S. master custody clients	12
Account supervisors	19
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Hibernia National Bank's primary accounting method is full accrual trade date reporting. Cash basis also is offered.

Services offered in the basic master trust/master custodial agreement are custody, collection of income, disbursement, securities settlement, capital changes to assets, maturities, cash management, reports, performance measurement and acceptance of fiduciary responsibilities.

Fees are based on fair market value.

The client contact is Ben R. Byers.

LaSalle National Trust

135 S. LaSalle St., Chicago, Ill. 60603; (312) 443-2300

($ millions)	
Tax-exempt U.S. master trust assets	1,700
Tax-exempt U.S. master custody assets	3,780
Tax-exempt U.S. master trust clients	8
Tax-exempt U.S. master custody clients	500
Account supervisors	14
Reports available on-line:	
Monthly transaction	
Asset & liability	

LaSalle National Trust reported new, tax-exempt domestic master trust business of $100 million from one client in the year ended June 30 and new, tax-exempt domestic master custodial business of $500 million from 75 clients.

The primary accounting method is daily cash and security balancing. Accrual also is offered.

Services offered in the basic master trust/master custodial agreement are account statements, securities safekeeping, assistance in ERISA reporting requests, automatic or sweep cash management, benefit disbursement, electronic delivery and telephone access.

Participant record-keeping, loan payment, global custody and market inventory/index funds are available for additional fees.

Other record-keeping services offered include participant record-keeping and loan payment.

Fees comprise a base charge plus a percentage of the assets.

The client contact is Robert Meresonne.

Marine Midland Bank

250 Park Ave., New York, N.Y. 10177; (212) 503-2724

($ millions)	
Tax-exempt U.S. master trust assets	2,000
Tax-exempt U.S. master custody assets	1,800
Tax-exempt U.S. master trust clients	40
Tax-exempt U.S. master custody clients	9
Account supervisors	10
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Marine Midland Bank reported new, tax-exempt domestic master trust business of $200 million from four clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $800 million from three clients.

The primary accounting method is trade date. Settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are pension and investment services.

Performance measurement, benefit payments, securities lending and investment management are available for additional fees.

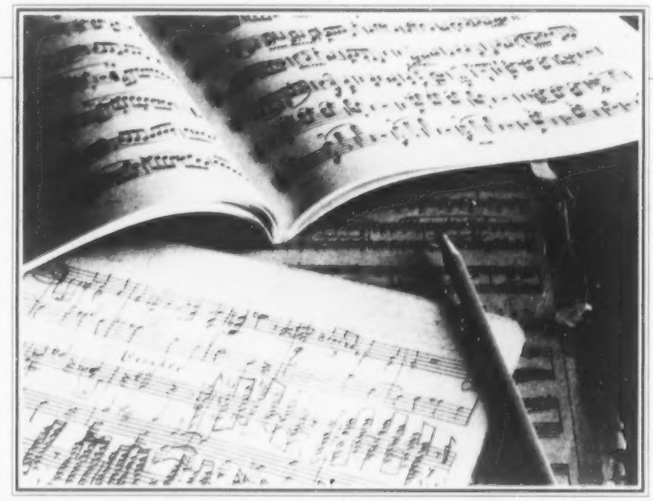
Other record-keeping services offered include participant record-keeping for defined contribution plans.

Fees are based on account complexity.

The client contact is Moira Patterson.

Marshall & Ilsley Trust Co.

770 N. Water St., Milwaukee, Wis. 53202; (414) 287-7187

($ millions)	
Tax-exempt U.S. master trust assets	1,700
Tax-exempt U.S. master custody assets	2,000
Tax-exempt U.S. master trust clients	47
Tax-exempt U.S. master custody clients	8
Account supervisors	8

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Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Marshall & Ilsley Trust Co. reported new, tax-exempt domestic master trust business of $280 million from one client in the year ended June 30.

The primary accounting method is accrual.

Services offered in the basic master trust/master custodial agreement are performance measurement, ERISA disclosures, benefit disbursements, investment management and participant record-keeping.

On-line access and data downloading are available for additional fees.

Fees for domestic services are based on asset value and individual services.

The client contact is Morry L. Birnbaum.

Mellon Bank

1 Mellon Bank Center, Suite 3325, Pittsburgh, Pa. 15258-0001; (412) 234-1336

	($ millions)
Tax-exempt U.S. master trust assets	141,217
Tax-exempt U.S. master custody assets	41,869
Tax-exempt U.S. master trust clients	178
Tax-exempt U.S. master custody clients	55
Account supervisors	57

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Mellon Bank reported new, tax-exempt domestic master trust business of $11.883 billion from 18 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $19.444 billion from 14 clients.

Mellon and Boston Safe Deposit will merge their master trust and custody operations following Mellon's acquisition of The Boston Co. in September 1992.

The primary accounting method is trade date fully accrued and multicurrency accounting. Cash accounting also is offered.

Services offered in the basic master trust/master custodial agreement are conversion administration, automated cash sweep, cash management, and accounting and reporting.

Security lending, global custody, participant record-keeping, benefit disbursement, performance measurement and on-line services are available for additional fees.

Other record-keeping services offered include daily evaluation record-keeping.

Fees for domestic services are based on a base charge plus asset and transaction charges.

The client contact is Timothy F. Keaney.

Mercantile Bank of St. Louis

P.O. Box 387, St. Louis, Mo. 63166; (314) 425-2628

	($ millions)
Tax-exempt U.S. master trust assets	101
Tax-exempt U.S. master trust clients	2
Account supervisors	3

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Mercantile Bank of St. Louis reported new, tax-exempt domestic master trust business of $25 million from one client in the year ended June 30.

The primary accounting method is cash. EBR income and accrual also are offered.

Services offered in the basic master trust/master custodial agreement are trade processing, safekeeping, income collection, daily cash management and reporting.

Securities lending, benefit distributions, record-keeping services and loans are available for additional fees.

Other record-keeping services offered include full service for defined contribution plans.

Fees are based on a base fee plus asset and transaction fees.

The client contact is James Morris.

Montreal Trust Co. of Canada

15 King St. W., Toronto, Ontario M5H 1B4; (416) 860-5555

	($ millions)
Tax-exempt U.S. master trust assets	8,400
Tax-exempt U.S. master trust clients	84
Account supervisors	10

Reports available on-line:
Monthly transaction
Asset & liability

Montreal Trust Co. of Canada's primary accounting method is contractual settlement date.

Services offered in the basic master trust/master custodial agreement are trustee/custodian safekeeping, maintenance of accounting records, production of accounting statements, asset valuation and other administrative services.

Transaction/activity, additional participants, unitization, investment portfolio, accounts participating on a segregated basis, mortgage administration, audit letters, strip coupons, benefit payments, dial-up systems, government reports and customized reports are available for additional fees.

Fees are based on average book value.

The client contact is Ray LaForce.

NationsBank

1 NationsBank Plaza, T10-10, Charlotte, N.C. 28255; (704) 386-2891

	($ millions)
Tax-exempt U.S. master trust assets	68,000
Tax-exempt U.S. master custody assets	17,700
Tax-exempt U.S. master trust clients	107
Tax-exempt U.S. master custody clients	29
Account supervisors	16

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

NationsBank reported new, tax-exempt domestic master trust business of $1.9 billion from three clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $1.9 billion, from three clients.

The primary accounting methods are trade date, cash basis and full accrual.

Services offered in the basic master trust/master custodial agreement are accounting and reporting, cash management and securities processing, benefit payments, securities lending, global custody and performance measurement.

Investment management, consulting services, expanded performance measurement and analytics, portfolio diagnostics, specialized asset management, GIC wholesale service and comprehensive mutual fund valuation are available for additional fees.

Fees for domestic services are based on market value and transactions.

The client contact is Jim Wahl.

NBD Bank

611 Woodward Ave., Detroit, Mich. 48226; (313) 225-2600

	($ millions)
Tax-exempt U.S. master trust assets	14,622
Tax-exempt U.S. master custody assets	27,170
Tax-exempt U.S. master trust clients	147
Tax-exempt U.S. master custody clients	102
Account supervisors	13

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

NBD Bank reported new, tax-exempt domestic master trust business of $975 million from nine clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $1.366 billion from six clients.

The primary accounting methods are trade date and settlement date for securities with pending trades and income accrual schedules.

Services offered in the basic master trust/master custodial agreement are custody, benefit disbursements, cash management, performance measurement, portfolio review, domestic and global securities lending, global custody, on-line downloading and on-line inquiry.

Participant record-keeping and investment management are available for additional fees.

Other record-keeping services offered include mutual fund shareholder accounting and 401(k) participant record-keeping.

Fees are based on asset value and transactional analysis.

The client contact is John K. Broman.

The Northern Trust Co.

50 S. LaSalle, Chicago, Ill. 60675; (312) 630-6000

	($ millions)
Tax-exempt U.S. master trust assets	135,056
Tax-exempt U.S. master custody assets	92,222
Tax-exempt U.S. master trust clients	244
Tax-exempt U.S. master custody clients	133
Account supervisors	74

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

The Northern Trust Co. reported new, tax-exempt domestic master trust business of $14.27 billion from 12 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $15.35 billion from 31 clients.

The primary accounting methods are settlement date, fully accrued and average cost. Trade date, cash basis, tax lot, FIFO, LIFO and high cost also are offered.

Services offered in the basic master trust/master custodial agreement are custody of assets, daily pricing, trade settlement, income collection and capital structures changes, and standard reporting.

Global custody, securities lending, electronic delivery, on-line reporting, performance measurement and analysis, benefit payments, plan accounting, cash management and investment services are available for additional fees.

Fees are based on market value and transactions.

The client contact is Jennifer K. Tretheway.

Norwest Bank Minnesota

Sixth & Marquette, Minneapolis, Minn. 55479-0047; (612) 667-1234

	($ millions)
Tax-exempt U.S. master trust assets	4,520
Tax-exempt U.S. master custody assets	4,444
Tax-exempt U.S. master trust clients	25
Tax-exempt U.S. master custody clients	40
Account supervisors	21

Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

Norwest Bank Minnesota reported new, tax-ex-

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empt domestic master trust business of $300 million from five clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $2.57 billion from four clients.

The primary accounting method is average cost. FIFO, LIFO, high cost and low cost also are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, transaction processing, trust and plan accounting and reporting and cash management.

Global custody and reporting, performance measurement and analytics, securities lending, on-line workstation, benefit payments and asset allocation modeling are available for additional fees.

Other record-keeping services offered include tax lot accounting, mutual fund and participant record-keeping services.

Fees are based on asset size, and number and type of holdings, transactions and investment accounts.

The client contact is Steven L. Greenstein.

PNC Financial Corp. Institutional Services

200 Stevens Drive, Lester, Pa. 19113; (215) 521-7876

	($ millions)
Tax-exempt U.S. master trust assets	3,418
Tax-exempt U.S. master custody assets	34,700
Tax-exempt U.S. master trust clients	84
Tax-exempt U.S. master custody clients	17
Account supervisors	6

Reports available on-line:
- Monthly transaction
- Asset & liability

PNC Financial Corp. Institutional Services reported new, tax-exempt domestic master trust business of $300 million from 12 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $34.25 billion from two clients.

The primary accounting method is settlement date accounting. Trade date accounting, settlement date YTD and trade date YTD also are offered.

Services offered in the basic master trust/master custodial agreement are security settlement, income payments, reorganization/capital change processing, cash management, consolidated statements, on-line access and date file transmissions.

Full voting and reporting of proxies, performance measurement and securities lending are available for additional fees.

Other record-keeping services offered include vested interest participant record-keeping and full plan accounting.

Fees are based on assets and transactions.

The client contact is John T. Foster.

The Riggs National Bank of Washington D.C.

808 17th St. N.W., Washington, D.C. 20074-0315; (202) 835-6883

	($ millions)
Tax-exempt U.S. master custody assets	7,000
Tax-exempt U.S. master custody clients	150
Account supervisors	6

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

The Riggs National Bank of Washington D.C.'s primary accounting method is cash. Accrual also is offered.

Services offered in the basic master trust/master custodial agreement are custody, record-keeping, income collection, trade settlement, cash management and securities lending.

Performance measurement is available for additional fees.

Fees are based on a combination of transaction fees, base fee and/or a basis point fee.

The client contact is Albert L. Behar.

Security Trust Co.

1501 Pennsylvania Ave. N.W., Washington, D.C. 20013; (202) 624-4158

	($ millions)
Tax-exempt U.S. master trust assets	1,680
Tax-exempt U.S. master custody assets	4,939
Tax-exempt U.S. master trust clients	32
Tax-exempt U.S. master custody clients	29
Account supervisors	22

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Security Trust Co. reported new, tax-exempt domestic master trust business of $239 million from two clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $125 million from one client.

The primary accounting method is settlement date. Accrual/trade date also is offered.

Services offered in the basic master trust/master custodial agreement are record-keeping, trusteeship, securities safekeeping and settlement, investment management, cash management, monthly asset and transaction reporting and 5500 reporting format.

Consulting, plan documentation services, employee communications program, administrative procedure review, performance measurement, special report formats and benefits payments are available for additional fees.

Other record-keeping services offered include participant record-keeping.

Fees are based on market value and transaction charges.

The master trust client contact is Lisa W. MacInnes; the master custody client contacts are Kathy A. Jackson and Judy K. McCoy.

Signet Trust Co.

7 N. Eighth St., Richmond, Va. 23219; (804) 771-7658

	($ millions)
Tax-exempt U.S. master trust assets	1,462
Tax-exempt U.S. master trust clients	15
Account supervisors	3

Reports available on-line:
- Monthly transaction
- Asset & liability

Signet Trust Co.'s primary accounting method is settlement date. Trade date also is offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, trade settlement, cash sweep, short-term investments, securities lending, global capability, income collection, reporting, and performance reporting.

On-line access is available for additional fees.

Other record-keeping services offered include defined contribution participant record-keeping.

Fees are based on market value and number of transactions.

The client contact is Deitra Mitchell.

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Society Corp.
900 Euclid Ave., Cleveland, Ohio 44115; (216) 737-8450

	($ millions)
Tax-exempt U.S. master trust assets	5,579
Tax-exempt U.S. master custody assets	14,145
Tax-exempt U.S. master trust clients	50
Tax-exempt U.S. master custody clients	33
Account supervisors	22
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Society Corp. reported new, tax-exempt domestic master trust business of $499 million from five clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $682 million, from four clients.

The primary accounting method is trade date. Settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are benefit payments, cash management, global custody, on-line inquiry, performance analytics, performance measurement, securities lending and standard reporting.

Other record-keeping services offered include 401(k), profit-sharing, ESOP, thrift and savings plans services.

Fees for domestic services are based on market value at quarter end plus transactions for the quarter.

The client contact is Timothy J. Connors.

State Street Bank and Trust
P.O. Box 1992, Boston, Mass. 02105-1992; (617) 985-2511

	($ millions)
Tax-exempt U.S. master trust assets	169,288
Tax-exempt U.S. master custody	259,220
Tax-exempt U.S. master trust clients	230
Tax-exempt U.S. master custody clients	131
Account supervisors	105
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

State Street Bank and Trust Co. reported new, tax-exempt domestic master trust business of $5.9 billion from 17 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $62.1 billion from 10 clients.

The primary accounting method is trade date, full accrual. Tax lot, LIFO, and FIFO also are offered.

Services offered in the basic master trust/master custodial agreement are safekeeping, full accrual accounting and reporting, trade settlement, cash management, income collection, proxy monitoring, corporate action monitoring, daily/weekly/monthly valuation, fiduciary control, on-line access, plan accounting, investment manager liaison and multicurrency attribution reports.

Global custody, domestic and international securities lending, performance measurement and analytics, domestic and international index funds, benefit payments, dividend re-investment, participant record-keeping and global asset allocation are available for additional fees.

Other record-keeping services offered include participant record-keeping, plan accounting, mutual fund accounting and insurance reporting.

Fees for domestic services are based on asset value, transaction and per portfolio charges.

The client contact is Frank D. Amn.

SunTrust Banks Inc.
25 Park Place NE, Atlanta, Ga. 30303; (404) 588-8636

	($ millions)
Tax-exempt U.S. master trust assets	3,476
Tax-exempt U.S. master custody assets	1,136
Tax-exempt U.S. master trust clients	25
Tax-exempt U.S. master custody clients	10
Account supervisors	3
Reports available on-line:	
Monthly transaction	
Asset & liability	

SunTrust Banks Inc. reported new, tax-exempt domestic master trust business of $57 million from two clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $65 million from one client.

The primary accounting method is trade date income accrual. Cash, tax lot, settlement date, and book value also are offered.

Services offered in the basic master trust/master custodial agreement are basic trustee/custodial services.

Global custody, performance measurement and securities lending are available for additional fees.

Other record-keeping services offered include participant record-keeping and unitized trust accounting for endowments and foundations.

Fees are based on market value.

The client contact is James F. Winters III.

Union Bank and Trust Co.
312 Central Ave., Minneapolis, Minn. 55414; (612) 379-3222

	($ millions)
Tax-exempt U.S. master custody assets	1,170
Account supervisors	23
Reports available on-line:	
Monthly transaction	
Asset & liability	

Union Bank and Trust Co. reported new, tax-exempt domestic master custodial business of $110 million from three clients in the year ended June 30.

The primary accounting method is cash. Accrual also is offered.

Services offered in the basic master trust/master custodial agreement are record-keeping, administration, custody, and trusteeship.

Other record-keeping services offered include participant accounting, 5500 preparation and withholding.

Fees are based on a percentage of assets.

The client contact is Joseph E. Johnson.

U.S. Trust Co. of New York
114 W. 47th St., New York, N.Y. 10036-1532; (212) 852-1956

	($ millions)
Tax-exempt U.S. master trust assets	24,300
Tax-exempt U.S. master custody assets	12,000
Tax-exempt U.S. master trust clients	130
Tax-exempt U.S. master custody clients	64
Account supervisors	33
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

U.S. Trust Co. of New York reported new, tax-exempt domestic master trust business of $5.9 billion from 32 clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $6.26 billion from 11 clients.

The primary accounting methods are trade date, contractual settlement and actual settlement, each with or without full accruals. Accounting on low, high, FIFO, LIFO, average cost, tax lot, amortiza-

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tion, accretion, full liability, and daily net asset value determination also is offered.

Services offered in the basic master trust/master custodial agreement are safekeeping; full monthly and annual accounting; on-line access; cash projection; form 5500; options and futures accounting; legal and regulatory reporting; cash management; STIF sweep; corporate actions; daily portfolio valuation; capital changes, redemptions and maturities; DTC, FRB and participant trust interfaces; wire transfers; proxy notification; income collection; trade settlement; plan allocation; dividend re-investment; and full investment manager services.

Securities lending; investment analytics; global custody; benefit payments; passive, structured and active management; record-keeping; flexible short-term money management; customized reporting and graphics; trade execution monitoring; CPU-to-CPU interface and work station capabilities; performance measurement; universe comparison; commission recapture; deferred gift giving; proxy monitoring and systems interfaces are available for additional fees.

Other record-keeping services offered include full participant record-keeping for 401(k) and other profit-sharing plans; full options and futures accounting; mutual funds record-keeping; and daily pricing and processing of contribution and redemptions.

Fees are based on transaction volumes, market value and services used.

The client contact is Robert E. Furst.

Wachovia Corp.

301 N. Main St., Winston-Salem, N.C. 27150; (919) 770-6348

($ millions)	
Tax-exempt U.S. master trust assets	34,344
Tax-exempt U.S. master custody assets	9,846
Tax-exempt U.S. master trust clients	89
Tax-exempt U.S. master custody clients	42
Account supervisors	36

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Wachovia Corp. reported new, tax-exempt domestic master trust business of $651 million from six clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $307 million from three clients.

The primary accounting method is full accrual trade date adjusted. Settlement date also is offered.

Services offered in the basic master trust/master custodial agreement are custody of assets, benefit payments, ERISA reporting, cash management, fail float analysis, monthly reporting, plan accounting, on-line inquiry, legal administrative guidance, administration and daily pricing.

Securities lending, global custody, asset allocation, options and futures processing, participant record-keeping, performance measurement, portfolio analysis and comparative performance, customized reporting, trade execution reporting, equity index fund, GIC fund, cash management, proxy voting and monitoring, flexible reporting, timberland fund, charitable unitized accounting, private foundation, and tax preparation and deferred gift administration are available for additional fees.

Other record-keeping services offered include participant record-keeping for defined contribution plans and master trust plan accounting.

Fees are based on market value and transaction charges.

The master trust client contact is Jane B. Fisher; the master custody client contact is David C. Taylor.

Wilmington Trust Co.

Rodney Square North, 1100 N. Market St., Wilmington, Del. 19890; (302) 651-1000

($ millions)	
Tax-exempt U.S. master trust assets	23,072
Tax-exempt U.S. master custody assets	529
Tax-exempt U.S. master trust clients	20
Tax-exempt U.S. master custody clients	6
Account supervisors	6

Reports available on-line:
- Monthly transaction
- Asset & liability

Wilmington Trust Co. reported new, tax-exempt domestic master trust business of $401 million from eight clients in the year ended June 30 and new, tax-exempt domestic master custodial business of $110 million from one client.

The primary accounting method is trade date, fully accrued. Contractual settlement date and cash accounting also are offered.

Services offered in the basic master trust/master custodial agreement are custody, participant record-keeping, cash management, master trust reporting, options and futures processing and performance measurement.

Investment and analytic services, on-line access, securities lending, global custody, and pension disbursement are available for additional fees.

Other record-keeping services offered include full record-keeping for defined contribution plans.

Fees are based on asset vale and transaction charges.

The client contact is Barbara A. Uberti.

GLOBAL

Bank of America

555 California St., Second Floor, San Francisco, Calif. 94104; (415) 622-1993

($ millions)	
Total global custody assets	31,000
U.S. tax-exempt	5,100
U.S. taxable	4,600
Account supervisors	20

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Bank of America's global custody network services seven countries; another 25 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees are based on asset value, transaction charges and client reporting requirements. The bank can provide a fixed fee or a per-product price based on a service plan.

Record-keeping services include multicurrency accounting and reporting, foreign exchange, accounting for non-U.S. based funds with offshore investments, securities lending reporting, cash management and on-line portfolio reporting.

The client contact is Robert Darmanin.

Bank of Boston

Worldwide Custody Services, 150 Royall St., Canton, Mass. 02021; (617) 575-2083

($ millions)	
Total global custody assets	2,817
U.S. tax-exempt	1,203
U.S. taxable	1,614
Account supervisors	8

Reports available on-line:
- Monthly transaction

Bank of Boston's global custody network services 37 countries; 35 are serviced by a subcustodian.

The bank assists clients with foreign tax withholding in all countries where tax reclaims are permitted under local law.

Fees are calculated by country based on assets and transactions.

The client contact is Matthew M. Soldano.

The Bank of New York

1 Wall St., New York, N.Y. 10286; (212) 495-1784

($ millions)	
Total global custody assets	39,500
U.S. tax-exempt	4,740
U.S. taxable	34,760
Account supervisors	89

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Bank of New York's global custody network services 41 countries, of which 39 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees are based on asset market value, transaction, portfolio structures and services required.

Record-keeping services include multicurrency portfolio accounting.

The client contacts are Curtis Yamaoka, Janet Zaloom, Richard Crampton and Fred Ricciardi.

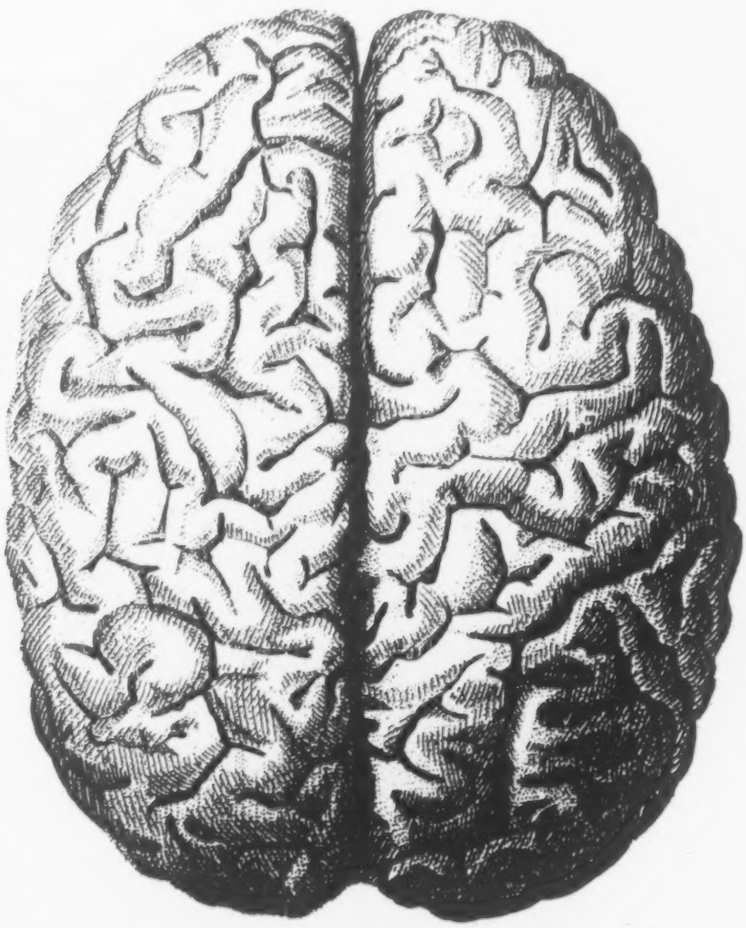
Bankers Trust Co.

280 Park Ave., New York, N.Y. 10017; (212) 454-2065

($ millions)	
Total global custody assets	35,000
U.S. tax-exempt	18,000
U.S. taxable	2,000
Account supervisors	54

Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Bankers Trust Co.'s global custody network ser-



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CHEMICAL Geoserve

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vices 39 countries, of which 35 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in 18 countries.

Fees are based on number of portfolios, asset size, country exposure and transaction volume.

Record-keeping services include on-line access, multicurrency accounting reports, valuation services and performance measurement.

The client contact is Mary Ann Schreiber.

Barclays Bank PLC

Global Custody Group, 75 Wall St., New York, N.Y. 10265; (212) 412-5062

	($ millions)
Total global custody assets	92,000
U.S. tax-exempt	620
U.S. taxable	600
Account supervisors	23
Reports available on-line:	
Monthly transaction	
Asset & liability	

Barclays Bank PLC's global custody network services 41 countries, of which 23 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees comprise a portfolio and transaction fees, which are country-specific, and a reporting fee.

Record-keeping services include multicurrency accounting using various cost methods.

The client contacts are Paul Corelli and Robert Heitzenrether.

Boatmen's Trust Co.

100 N. Broadway, St. Louis, Mo. 63102; (314) 466-3800

	($ millions)
Total global custody assets	440
U.S. tax-exempt	415
U.S. taxable	25
Account supervisors	8
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Boatmen's Trust Co. offers a "private label" product, for which Bankers Trust Co. is the primary supplier of the subcustodial network. The network services 32 countries.

The bank assists clients with foreign tax withholding in 19 countries.

Fees are unbundled, based on specific services.

Record-keeping services include multicurrency reporting and defined contribution participant record-keeping.

The client contact is Richard W. Hibbs.

Boston Safe Deposit and Trust Co.

1 Boston Place, Boston, Mass. 02108; (617) 722-7000

	($ millions)
Total global custody assets	35,113
U.S. tax-exempt	22,059
U.S. taxable	3,800
Account supervisors	35
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Boston Safe Deposit and Trust Co.'s global custody network services 41 countries, of which 40 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in 19 countries.

Boston Safe Deposit and Mellon Bank will merge their global custody operations following Mellon's acquisition of The Boston Co. in September 1992.

Record-keeping services include benefit payments, performance measurement, analytics, on-line information delivery, multicustodian reconciliation and securities lending.

The client contact is Paul S. Maregni.

Brown Brothers Harriman

40 Water St., Boston, Mass. 02109; (617) 742-1818

	($ millions)
Total global custody assets	150,000
U.S. tax-exempt	1,500
U.S. taxable	58,000
Account supervisors	88
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Brown Brothers Harriman & Co.'s global custody network services 51 countries, all of which are services by subcustodians. The bank assists clients with foreign tax withholding in all countries.

Fees are based on a percentage of assets plus a flat transaction charge.

Record-keeping services include participant accounting and double-entry multicurrency accounting, including a full general ledger.

The client contact is Kristen F. Giarrusso.

Chase Manhattan Bank

1211 Avenue of the Americas, New York, N.Y. 10036; (212) 789-4118

	($ millions)
Total global custody assets	181,000
U.S. tax-exempt	21,200
U.S. taxable	73,400
Account supervisors	45
Reports available on-line:	
Monthly transaction	
Asset & liability	

Chase Manhattan Bank's global custody network services 41 countries; 24 countries are serviced by subcustodians. The bank assists clients with foreign tax withholding in all countries.

Fees are based on market value, transaction type and volume and portfolio type and volume by country.

The client contacts are Peter Derrenbacher and Mary C. Orr.

Chemical Banking Corp.

55 Water St., New York, N.Y. 10041; (212) 820-5000

	($ millions)
Total global custody assets	100,000
U.S. tax-exempt	8,000
U.S. taxable	5,000
Account supervisors	23
Reports available on-line:	
Monthly transaction	
Asset & liability	

Chemical Banking Corp.'s global custody network services 41 countries, of which 37 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees are based on transaction volume and portfolio size in each country.

Record-keeping services include full accrual, multicurrency accounting and reporting, fund accounting, cash management services and on-line inquiry and input reporting.

The client contacts are Clarisse M. Persanyi and Clive Garde.

Citibank

111 Wall St., New York, N.Y. 10043; (212) 657-9100

	($ millions)
Total global custody assets	203,000
U.S. tax-exempt	2,000
U.S. taxable	32,400
Account supervisors	250
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Citibank's global custody network services 46 countries; five countries are serviced by a subcustodian. The bank assists clients with foreign tax withholding wherever possible.

Fees are based on countries and services used.

Record-keeping services include multicurrency reporting, daily on-line activity reports, participant record-keeping, foreign exchange, income collection, securities lending and fund accounting for non-U.S. based funds with offshore investments.

The client contacts are Kenneth H. Hines Jr., Ranjit Chatterji, Harish Suri and John Morris.

Comerica Bank

411 W. Lafayette, Detroit, Mich. 48226; (313) 222-5414

	($ millions)
Total global custody assets	327
U.S. tax-exempt	327
Account supervisors	10
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Comerica Bank, which includes data of Manufacturers Bank following the merger of Comerica Inc. and Manufacturers National Corp. in June, offers a "private label" product; Morgan Stanley Trust Co. is the primary supplier of the subcustodial network.

Master trust/custody banks ranked by new tax-exempt business

($ millions)

Firm	Total new business	New master trust	Clients	New master custody	Clients
State Street	67,999	5,905	17	62,094	10
Bank of New York	40,390	11,370	11	29,020	8
PNC Financial	34,551	300	12	34,251	2
Mellon Bank	31,327	11,883	18	19,444	14
Northern Trust	29,620	14,273	12	15,347	31
First Interstate/Calif.	27,500	20,500	20	7,000	8
U.S. Trust/New York	12,160	5,900	32	6,260	11
Bankers Trust	12,100	9,700	22	2,400	16
Bank of America	5,484	200	8	5,284	31
Boston Safe Deposit	5,230	1,070	3	4,160	8
Chase Manhattan	5,000	2,500	9	2,500	9
Harris Trust & Savings	4,872	857	14	4,015	2
NationsBank	3,800	1,900	3	1,900	3
Norwest Bank	2,870	300	5	2,570	4
NBD Bank	2,341	975	9	1,366	6
Boatmen's Trust	1,384	74	2	1,310	14
Continental Bank	1,367	1,367	13	0	0
Society Corp.	1,181	499	5	682	4
Fiduciary Trust	1,100	100	1	1,000	4
Marine Midland	1,000	200	4	800	3
Wachovia	958	651	6	307	3
Chemical Bank	950	325	19	625	32
First Nat'l/Maryland	600	0	0	600	3
LaSalle Nat'l Trust	600	100	1	500	75
First Tennessee Bank	544	21	2	523	3
Wilmington Trust	511	401	8	110	1
Fleet Investment Services	504	504	6	0	0
Security Trust	364	239	2	125	1
Bank of Boston	364	293	2	71	1
Marshall & Ilsley	280	280	1	0	0
BayBanks	172	35	2	137	3
CoreStates Bank	150	150	2	0	0
First Nat'l/Chicago	130	0	0	130	1
SunTrust Banks	122	57	2	65	1
Comerica	115	46	3	69	5
Union Bank and Trust	110	0	0	110	3
AmSouth Bank	65	5	1	60	1
Mercantile Bank-St. Louis	25	25	1	0	0
Firstar Trust	21	0	0	21	1
TOTAL	297,661	83,905	278	294,656	322

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3-year cumulative
rate of return as of
June 30, 1992

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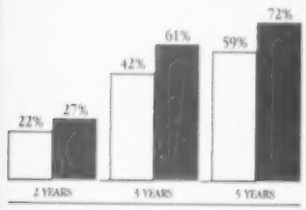

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923858-IJ

Thirty-four countries are serviced by the global custody network.

The bank assists clients with foreign tax withholding where available.

Fees are calculated by asset value and transactions.

Record-keeping services include participant record-keeping for defined contribution plans, including participant loan processing and lump-sum distributions.

The client contact is Steve Nedwicki.

Continental Bank
231 S. LaSalle St., Chicago, Ill. 60697; (312) 828-4038

	($ millions)
Total global custody assets	2,700
U.S. tax-exempt	400
U.S. taxable	2,300
Account supervisors	4
Reports available on-line:	
Monthly transaction	
Asset & liability	

Continental Bank's global custody network services 30 countries; 24 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries where dual tax treaties exist.

Fees are based on market value and transactions and vary by market.

Record-keeping services include international securities lending, foreign exchange and risk management.

The client contact is Cheryl A. Derezinski.

Fiduciary Trust Co. International
2 World Trade Center, New York, N.Y. 10048; (212) 466-4100

	($ millions)
Total global custody assets	49,000
U.S. tax-exempt	25,000
Account supervisors	12
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Fiduciary Trust Co. International's global custody network services 36 countries, of which 13 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees comprise a base, account maintenance, transaction and miscellaneous charges.

Record-keeping services include an on-line system offering more than 60 different reporting functions.

The client contact is John D. Laut.

First Interstate Bank of California
707 Wilshire Blvd., Los Angeles, Calif. 90017; (213) 614-2319

	($ millions)
Total global custody assets	320
U.S. tax-exempt	320
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

First Interstate Bank of California offers a "private label" product, for which Chase Manhattan Bank is the primary supplier of the subcustodial network.

Thirty-eight countries are serviced by a global custody network. The bank assists clients with foreign tax withholding in all countries.

Fees are based on market and transaction values.

The client contact is David Coville.

The First National Bank of Chicago
27 Leadenhall St., London, England EC3A 1AA; 44-71-240-7240

	($ millions)
Total global custody assets	9,500
U.S. tax-exempt	3,500
U.S. taxable	4,500
Account supervisors	6

The First National Bank of Chicago's global custody network services 30 countries, of which 29 are service by subcustodians. The bank assists clients with foreign tax withholding in all countries.

Fees are bundled or unbundled, based on portfolio and transaction volume and countries.

The client contact is Brian G. Horsepool.

First Trust National Association
180 E. Fifth St., St. Paul, Minn. 55101; (612) 223-7317

	($ millions)
Total global custody assets	1,000
U.S. tax-exempt	400
U.S. taxable	500
Account supervisors	2
Reports available on-line:	
Monthly transaction	
Asset	

First Trust National Association offers a "private label" product, for which Bankers Trust is the primary supplier of the subcustodial network.

The global custody network services 37 countries. The bank assists clients with foreign tax withholding in all applicable countries.

Fees are based on market value and the number of issues and transactions.

The client contact is Robert L. Spies.

Goldman Sachs Trust Co.
85 Broad St., New York, N.Y. 10004; (212) 902-1420

	($ millions)
Total global custody assets	2,500
U.S. tax-exempt	385
U.S. taxable	1,579
Account supervisors	11
Reports available on-line:	
Monthly transaction	
Asset & liability	

The Goldman Sachs Trust Co.'s global custody network services 36 countries; 33 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in 26 countries.

Fees are based on transaction volume and portfolio market value.

The client contact is David Mann.

Harris Trust and Savings Bank
111 W. Monroe St., Chicago, Ill. 60603; (312) 461-7637

	($ millions)
Total global custody assets	12,800
U.S. tax-exempt	4,100
U.S. taxable	1,300
Account supervisors	30
Reports available on-line:	
Monthly transaction	
Asset & liability	
Performance measurement	

Harris Trust and Savings Bank's global custody network services 32 countries; 30 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all applicable countries.

Fees are based on assets and number of transactions. Fees also may be on a fixed or geographic schedule.

The client contact is Beth Stubenrauch.

Investors Bank & Trust Co.
89 South St., Boston, Mass. 02111; (617) 330-6700

	($ millions)
Total global custody assets	2,700
U.S. taxable	2,700
Account supervisors	9
Reports available on-line:	
Monthly transaction	
Asset & liability	

Investors Bank & Trust Co.'s global custody network services 50 countries, through subcustodians. The bank assists clients with foreign tax withholding in all countries.

Fees are based on assets and transactions.

Record-keeping services include mutual fund custody, accounting, administration and transfer agent.

The client contact is Jeff Zabel.

LaSalle National Trust
135 S. LaSalle St., Chicago, Ill. 60603; (312) 443-2300

	($ millions)
Total global custody assets	125
U.S. tax-exempt	90
U.S. taxable	35
Account supervisors	4
Reports available on-line:	
Monthly transaction	
Asset & liability	

LaSalle National Trust offers a "private label" product, for which ABN-AMRO Global Custody is the primary supplier of the subcustodial network.

The global custody network services 45 countries. The bank assists clients with foreign tax withholding in all major industrial nations.

Fees are basis points plus settlement charges per country.

The client contact is John H. Deutsch.

Mellon Bank
1 Mellon Bank Center, Suite 3325, Pittsburgh, Pa. 15258-0001; (412) 234-1336

	($ millions)
Total global custody assets	10,300
U.S. tax-exempt	9,780
U.S. taxable	520
Account supervisors	57
Reports available on-line:	
Monthly transaction	
Asset & liability	

Mellon Bank's global custody network services 27 countries are serviced by a global custody network; seven are serviced by a subcustodian. The bank assists clients with foreign tax withholding in 24 countries.

Mellon and Boston Safe Deposit will merge their global custody operations following Mellon's acquisition of The Boston Co. in September 1992.

Fees comprise an asset fee, account fee and transaction charge.

Record-keeping services include multicurrency reporting.

The client contact is Timothy F. Keaney.

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J.P. Morgan
60 Wall St., New York, N.Y. 10260; (212) 648-3250

($ millions)
Total global custody assets 79,000
U.S. tax-exempt 7,400
U.S. taxable 71,600
Account supervisors 45
Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

J.P. Morgan's global custody network services 11 countries; another 23 countries are serviced by subcustodians. The bank assists clients with foreign tax withholding in all countries.

Fees are based on the value of the portfolio plus transaction costs. In addition, in certain countries miscellaneous expenses are passed to the client.

The client contact is Rene Vanguestaine.

Morgan Stanley Global Securities Services Inc.
1 Pierrpont Plaza, Brooklyn, N.Y. 11201; (718) 754-2701

($ millions)
Total global custody assets 23,000
U.S. tax-exempt 5,603
U.S. taxable 10,433
Account supervisors 18
Reports available on-line:
Monthly transaction
Performance measurement

Morgan Stanley Global Securities Services Inc.'s global custody network services 43 countries, of which 42 are serviced by subcustodians. The bank assists clients with foreign tax withholding in nine countries.

Fees comprise an asset-based basis point charge plus a transaction fee.

The client contact is John Roberts.

NationsBank
1 NationsBank Plaza, T10-10, Charlotte, N.C. 28255; (704) 386-2891

($ millions)
Total global custody assets 55,000
U.S. tax-exempt 510
Account supervisors 1
Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

NationsBank offers a "private label" product, for which Chase Manhattan is the primary supplier of the subcustodial network.

The global custody network services 35 countries, 25 are serviced by a subcustodian. The bank assists clients with foreign tax withholding.

Fees are based on market value.

The client contact is Jim Wahl.

NBD Bank
611 Woodward Ave., Detroit, Mich. 48226; (313) 225-2183

($ millions)
Total global custody assets 700
U.S. tax-exempt 700
Account supervisors 4

NBD Bank's global custody network services 26 countries; 23 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees comprise transaction, market value and maintenance charges.

Record-keeping services include 401(k) accounting and mutual fund shareholder accounting.

The client contact is John K. Broman.

The Northern Trust Co.
50 S. LaSalle, Chicago, Ill. 60675; (312) 630-6000

($ millions)
Total global custody assets 30,600
U.S. tax-exempt 16,524
U.S. taxable 2,500
Account supervisors 74
Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

The Northern Trust Co.'s global custody network services 36 countries, of which 34 are serviced by a subcustodian. The bank assists clients with foreign tax withholding in all countries.

Fees are negotiated.

Record-keeping services include tax reclamation reporting, multicurrency performance measurement, international proxy services, payable date income crediting in major markets, international securities lending and participant level reporting for commingled funds.

The client contact is Jennifer K. Tretheway.

Norwest Bank Minnesota
Sixth & Marquette, Minneapolis, Minn. 55479-0047; (612) 667-1234

($ millions)
Total global custody assets 310
U.S. tax-exempt 270
U.S. taxable 40
Account supervisors 5
Reports available on-line:
Monthly transaction
Asset & liability

Norwest Bank Minnesota offers a "private label" product, for which Morgan Stanley Trust Co. is the primary supplier of the subcustodial network.

Thirty-eight countries are serviced by the global custody network. The bank assists clients with foreign tax withholding in all countries.

Fees are determined by market, based on asset size and transactions.

Record-keeping services include mutual fund accounting.

The client contact is Abigail Luster.

PNC Financial Corp.-institutional Services
200 Stevens Drive, Lester, Pa. 19113; (215) 521-7876

($ millions)
Total global custody assets 3,226
U.S. tax-exempt 1,700
U.S. taxable 1,526
Account supervisors 1
Reports available on-line:
Monthly transaction
Asset & liability

PNC Financial Corp. — Institutional Services offers a "private label" product, for which Barclays Bank PLC is the primary supplier of the subcustodial network.

Thirty-three countries are serviced by a global custody network. The bank assists clients with foreign tax withholding in nine countries.

Fees are based on transactions and assets.

The client contact is John T. Foster.

State Street Bank and Trust
P.O. Box 1992, Boston, Mass. 02105-1992; (617) 985-2511

($ millions)
Total global custody assets 121,400
U.S. tax-exempt 43,400
U.S. taxable 22,800
Account supervisors 105
Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

State Street Bank and Trust Co.'s global custody network services 22 countries; another 40 are serviced by subcustodians. The bank assists clients with foreign tax withholding in all applicable countries.

The bank offers an unbundled fee schedule with asset value, transaction and subcustodian holding cost charges.

Record-keeping services include international mutual fund accounting, multicurrency performance measurement, international 24-hour securities lending, consolidated record-keeping for worldwide affiliates, international cash management and global proxy voting.

The client contact is Frank D. Antin.

SunTrust Banks Inc.
25 Park Place, Atlanta, Ga. 30303; (404) 827-6983

($ millions)
Total global custody assets 7,700
U.S. tax-exempt 165
Account supervisors 2
Reports available on-line:
Monthly transaction

SunTrust Banks Inc. offers a "private label" product. Fifteen countries are serviced by the global custody network.

Fees are based on portfolio market value.

Record-keeping services include investment review and income forecast.

The client contact is K. Sekimoto.

U.S. Trust Co. of New York
114 W. 47th St., New York, N.Y. 10036-1532; (212) 852-1956

($ millions)
Total global custody assets 3,049
U.S. tax-exempt 479
U.S. taxable 2,570
Account supervisors 6
Reports available on-line:
Monthly transaction
Asset & liability
Performance measurement

U.S. Trust Co. of New York's global custody network services 35 countries, all of which are serviced subcustodians. The bank assists clients with foreign tax withholding in all countries.

Fees are based on assets and transactions.

Record-keeping services include performance measurement, daily pricing and accruals, cash management, investment analytics, global securities lending and multicurrency reporting.

The client contact is Robert E. Furst.

Wachovia Corp.
301 N. Main St., Winston-Salem, N.C. 27150; (919) 770-6348

($ millions)
Total global custody assets 489
U.S. tax-exempt 270
U.S. taxable 219

Continued on page 34

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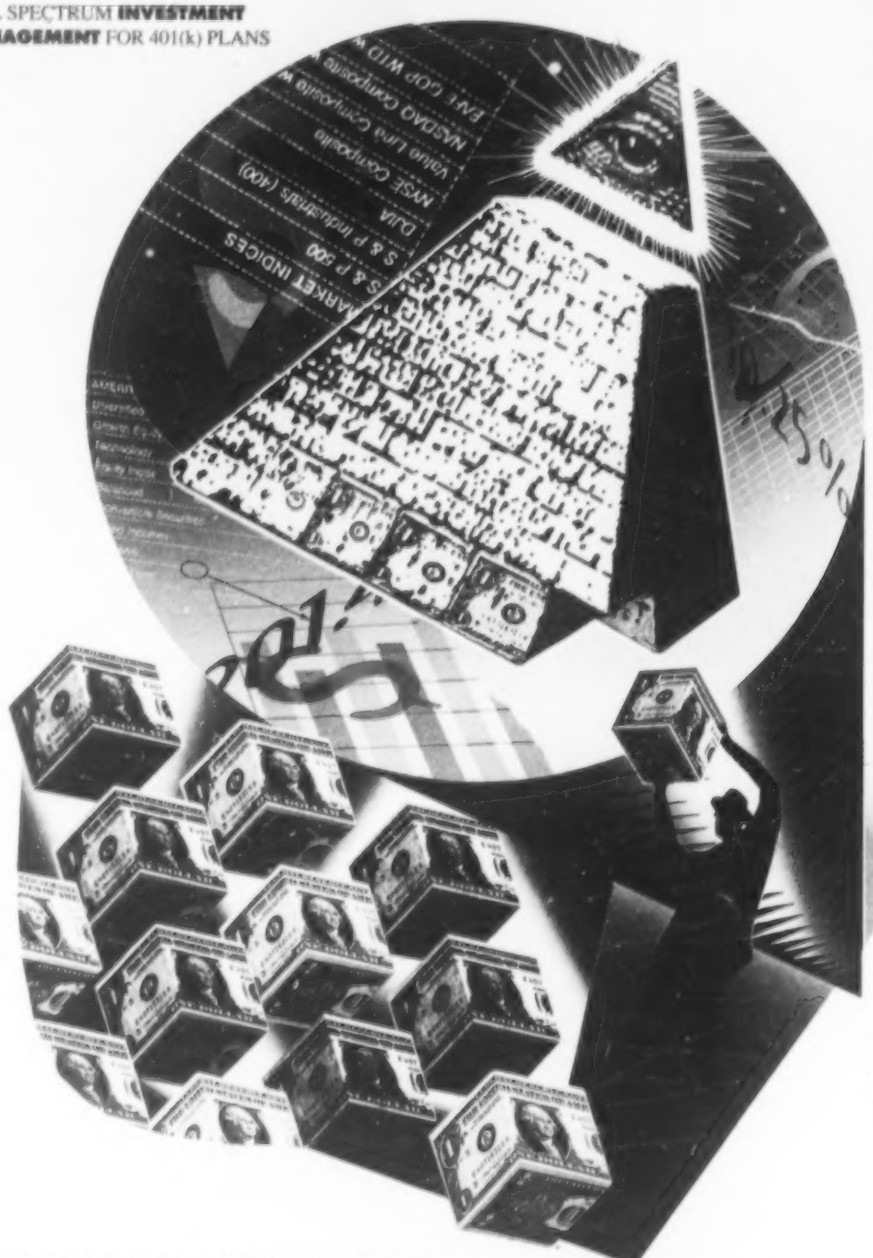

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Global custodians eye performance

By Elizabeth Block

LONDON — Global custodians, their pension fund clients and investment consultants are struggling with how to measure the performance of global custodians.

More accurate measurement of the impact of global custody on investment performance was a recurring theme at the Institute for International Research's third annual global custody conference in London last month.

But many problems arise when seeking to measure the diverse — and rapidly changing — range of core and add-on services generally recognized as "custody," whether domestic or global.

Custodial operations can impact all aspects of investment performance, from settlement to foreign exchange. Traditional corporate banking loyalties still govern the choice of a custodian. But competitive forces are likely to increase calls for standardization of custodians' performance as well as systems.

As markets and instruments proliferate, custodians must hustle to maintain and improve levels of efficiency.

"We have to be volume insensitive," said Helen Turnbull, vice president, The Northern Trust Co., London. "Our core activities must be 100% efficient. And if two rocket scientists somewhere dream up a new designer security, we need to be ready to settle."

Despite ritual predictions of an industry shakeout, more providers now offer some or all of the core services. Among the newer players are many non-bank or alternative custodians such as brokerage houses, depositories and investment managers.

According to Ms. Turnbull, the number of institutions worldwide "reasonably active" in providing global custody services increased to nearly 80 in 1991 from about 60 in 1990.

Frank Stone is manager-stock lending and global custody, Norwich Union Fund Managers Ltd., Norwich, England, and chairman of the International Stock Lenders' Organization. He said global custody will become a commodity, with clients able to choose solely on price, when custodians achieve:

- 100 percent settlement on settlement date;
- All securities lending settling on agreed date;
- Dividends and interest payments credited on due date on all markets;
- Real-time information;
- Corporate information available within 48 hours of announcement;
- Clients guaranteed against

See **Global** *on page 35*

Overall ranking of global custody banks by sponsors*

	Average rating
Boston Safe Deposit	4.00
State Street Bank	3.89
Mellon Bank	3.88
Bankers Trust	3.80
Northern Trust	3.71
Chase Manhattan	3.60

*Excludes those receiving less than five votes.
Source: *Pensions & Investments*

Services

Continued from page 17

the overall operation," said Mr. Kufel.

He said NBD hasn't done anything "substantially different" during the two years since the last survey, but has "focused more attention on communications and on the unique nature of each client and understanding his individual needs."

Paul Maregni, senior vice president at Boston Safe, said the bank has taken several concrete steps during the past two years designed to improve its overall rating.

He said Boston Safe now uses a team approach: Clients work with a single contact at the bank, but the contact is supported by a specialized team.

"That formula has proven to be very beneficial," said Mr. Maregni. In addition, he said, Boston Safe instituted a liaison group for investment managers "to effectively service the investment managers of our clients in the same way our client relationship managers serve the clients themselves." (Since the survey was conducted, Mellon Bank announced it was acquiring Boston Co. and Boston Safe.)

Allen Martin, managing director-retirement services at Bankers Trust, said the bank invests nearly $50 million each year in new technology in the retirement services area that includes master trust, as well as 401(k) recordkeeping and administration.

He said Bankers too has emphasized client service by reducing errors in reporting and by providing information to plan sponsors more quickly.

"During the past three to four years, we have tried to build a quality master trust process, and we are now starting to see some of the results of that effort."

Mr. Martin said the role of the master trustee has been evolving and now can provide multiple services, including some offered by consultants.

Most large corporations have been re-evaluating their internal administrative functions, he said, and are looking at cutting administrative expenses. "As a result, companies are looking to their vendors to do more for them, and they want to deal with fewer vendors who do more for them." ■

Continued from page 33

Account supervisors 5
Reports available on-line:
- Monthly transaction
- Asset & liability
- Performance measurement

Wachovia Corp.'s global custody network services 34 countries, all through subcustodians. The bank assists clients with foreign tax withholding.

Fees are based on market value and transactions.

The client contact is Jane B. Fisher.

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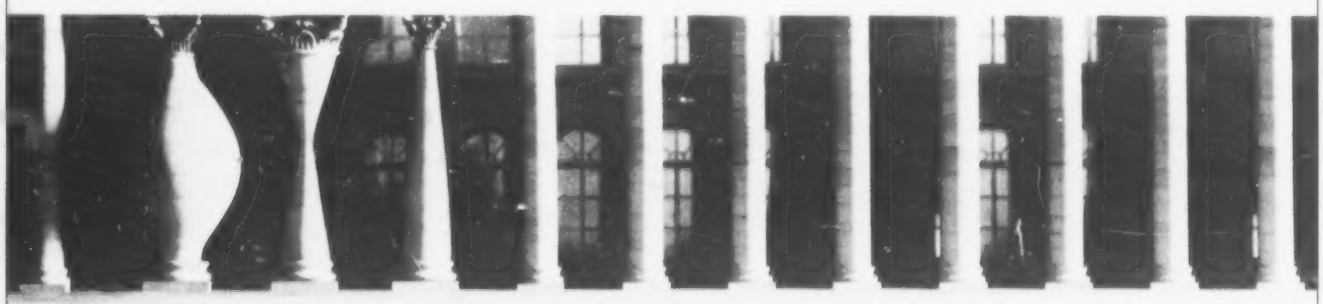

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Global

Continued from page 34
missed corporate actions and subcustodians' performance; and

• Market rates on uncommitted funds.

According to Stewart Crawford, managing director-business division, The WM Co., a performance measurement firm in Edinburgh, and Alistair Reid, director, Morgan Grenfell Investment Management, London, custodians are far from attaining these benchmarks. Failure rates must be quantified so that clients can properly evaluate their custodians.

WM estimates that U.K. pension funds stand to lose 4 million pounds per day of late settlement. Late crediting of dividends and failure to reclaim tax promptly also can result in significant losses.

When WM surveyed its own client base in six major markets earlier this year, the firm found only 87% of trades settled on time. Dividends were credited up to 56 days late and tax reclaim times varied by three to four weeks.

WM's figures also shamed custodians in treasury and foreign exchange performance, lucrative add-on services for many custodians.

Mr. Reid said current monitoring and measurement methods are inadequate and overly subjective. "Global custodians should be measured like fund managers — against established benchmarks and against the competition."

But several custodians stressed that money managers are measured on investment performance — not on operations.

"We all welcome more objective measurement," said Colin Grimsey, managing director-global securities services, Chase Manhattan Bank, London. "But we have to be fair. Many fund managers have poor back offices and poor interface and give poor instructions. If custodians' operations are to be measured, then we should measure managers' operations as well. Otherwise, it's apples and pears."

Glyn Peat, director-client services, Lazard Investors, London, called the concept of measurement "smashing," but agreed that poor instructions often underlie poor custodial performance. "Clients must define areas of responsibility," he said. "Who is to issue trade instructions? Who is to do forex?"

Quality could be further eroded if custodians and clients tend to focus too narrowly on price. Alex Tweedie, managing director, Barclays Global Securities Services, London, discussed the effects of State Street Bank and Trust Co.'s well-publicized half-a-basis-point bid for the domestic and global custody business of the $68 billion California Public Employees' Retirement System.

"The CalPERS effect means continuing decline in both price and margins. Are global custodians suicidal lemmings?"

Mr. Tweedie urged an emphasis on quality of service. "Custodians are dreaming if they think that costs will fall faster than prices, while margins widen through add-ons. Quality must rise sharply for margins to hold."

Another topic among participants was the Maxwell pension scandal. Many participants noted the increased visibility of custody as a positive result and stressed that Robert Maxwell's abuses were not "stock lending" but "stock stealing."

A session on the Maxwell scandal was notable for the absence of calls for a U.K. equivalent of the Securities and Exchange Commission or tougher laws like the Employee Retirement Income Security Act.

Chris Johnson, a pensions partner with Clifford Chance, a London law firm, called for more attention to existing law, rather than more regulation. "There is an enormous body of law on the books, and some of it — in regard to compulsory vesting — is actually tougher than ERISA."

"What Maxwell did was against the law. If we are to prevent a repeat, we need general principles. Otherwise, you'll have people checking obscure regulatory details while the trustees run off with the money."

The Financial Services Act of 1986 had raised expectations, he said. "That act was to be the great protector of investors, but we've seen many scandals since then. It's not surprising that people are disillusioned."

He urged custodians to become "whistle blowers" on fraud. However, until responsibility for endorsement is more clearly defined, he admitted custodians might find themselves whistling in the dark.

Custodians also are putting new emphasis on global proxy voting, partly in response to the U.S. Labor Department's ruling forcing pension funds to vote overseas proxies and partly as a marketing ploy.

"The question is not whether global custodians will provide global proxy services, but when," said Markus Reutimann, first vice president-client and market services division, UBS Asset Management (U.K.) Ltd., London. "This is not an add-on."

Investor interest in increasingly exotic markets presents additional risk in handling corporate actions — from dividends and stock rights issues to proxies. The opportunity may be there, but not the investment infrastructure.

John Morris vice president, Citibank N.A., pointed out that in some South American countries, a company need only announce a corporate action in a local newspaper. "Custodians and their agents could spend a great deal of time reading local papers — and still not be sure" everything is covered, he said.

Given these difficulties, how can custodians offer effective global proxy services? Mr. Morris urged money managers and custodians to work together to develop new markets.

"We have to anticipate demand," he said, adding banks can actively lobby governments to improve local infrastructure.

Northern Trust's Ms. Turnbull suggested the proxy process could be speeded up by allowing subcustodians to vote local proxies. ■

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BRITISH GAS ANNOUNCES SECOND QUARTER/SIX MONTHS RESULTS

	Quarter Ended 6/30/92	Quarter Ended 6/30/91	Six Months Ended 6/30/92	Six Months Ended 6/30/91
UK GAAP (historical cost basis)				
Sales (£mm)	1,924	2,186	5,509	5,877
Profit/(Loss) Before Taxation (£mm)	(17)	247	915	1,307
Profit/(Loss) Attributable to Shareholders (£mm)	(21)	163	637	892
Earnings/(Loss) per Ordinary Share (pence)	(0.5)	3.8	14.9	20.9
1992 Interim Dividend per Ordinary Share (pence)*			6.4	
U.S. GAAP				
Net Income (£mm)	28	192	698	898
Earnings per ADS (£)	0.07	0.45	1.63	2.11

*The 1992 interim dividend is not comparable with 1991 due to the change in accounting reference date from March 31 to December 31 in 1991.

Lower sales were due to warmer than normal weather. Although sales in the tariff sector of the UK Gas Business remained ahead of 1991 on a seasonally adjusted basis, sales to the firm contract market were sharply lower as competitors increased their share of the market. The profit outcome for the full year is likely to be lower than 1991 unless the weather pattern in the period September-December is very much colder than seasonally normal.

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Multiemployer plans have nothing to fear

Impact of FAS 106 would be negligible

By Fred Williams

A proposed accounting measure that would require multiemployer health and welfare plans to measure and disclose accumulated retiree medical liabilities would not have the same dramatic financial impact as a similar rule being implemented for corporate plan sponsors.

The American Institute of Certified Public Accountants exposure draft, issued late last year, would require multiemployer plans' accrued post-retirement health and welfare benefit obligations be measured in accordance with the Financial Accounting Standards Board's Statement 106 and be disclosed in financial statements.

For most large companies, FAS 106 will have a negative impact on corporate earnings and will appear as a major liability on balance sheets following the December implementation date. The AICPA rule would become effective at the same time for multiemployer plans.

According to the International Foundation of Employee Benefit Plans, there are more than 2,000 multiemployer funds sponsoring defined benefit pension plans and more than 3,000 funds sponsoring health and welfare plans. Assets of multiemployer pension plans probably exceed $125 billion, according to the IFEBP.

Unlike corporate single-employer plans, experts say most multiemployer plans have reserved the right to modify or reduce benefits depending on funding.

Also, there will be no balance sheet or income statement implications, according to Art Drechsler, senior vice president-group benefits, at Martin E. Segal Co., New York.

"This won't have the same impact as on corporate bottom lines," said Mr. Drechsler. "There won't be a balance sheet item so it won't affect the financial condition, marketability or stock value. It certainly will give trustees cause for concern, yet it doesn't have the immediate impact" as FAS 106.

A potential longer term impact might be that it could evolve into a stronger federal regulation of multiemployer plans if the Department of Labor decides to use the rule in its definition of a properly funded plan, Mr. Drechsler said.

"Once the liability is quantified, how long is the next step to pay for it," he asked. "The establishment of funding requirements could be the next step. It is not a large leap to say that now that we know what these liabilities are someone comes along and says to fund them. And for a lot of plans, that would pose a heavy burden."

Elizabeth Poston, multiemployer consulting specialist with the Washington office of William M. Mercer Inc., said, "all multiemployer plans will have is a footnote in their financial report."

She said multiemployer plans traditionally have modified plan design to fit the funding level and "if they have a $10 million liability and they find they can't afford it, they can unilaterally cut benefits.

On the other hand, "there is nothing that says they have to comply (with the accounting rule). There is no law that says they have to comply; there is no penalty for noncompliance."

In its response to the exposure draft being circulated by the AICPA, Martin E. Segal Co. said the AICPA should reconsider the application of FAS 106 to multiemployer plans because it requires disclosure of information "that is of interest to corporate shareholders" and the AICPA requirements "serve no clear purpose." ■

Market

Continued from page 17

measurement and securities lending that help with profitability.

And once systems are in place adding new clients does not increase the cost.

Operational efficiency aided by less labor-intensive technology has helped lower costs at State Street, according Mr. Appell. It is true that the technology expense is a major component of the service. "We have to keep fueling that piece to stay ahead," but he noted technology lowers internal costs. "The more people that are out of the loop, the cheaper it is."

There also is a lot of risk associated with regulatory changes, and a need for a level of sophistication required to stay competitive, said Peter Derrenbacher, vice president-national accounts relationship management and sales, Chase Manhattan Bank. "A lot of sideline players will not continue."

"The stakes have risen dramatically," agreed Mr. Costa. The real risk to trust companies is any one transaction going bad. "Each transaction is mega compared to 20 years ago."

It is a valid area of concern, agreed Mr. Derrenbacher. "If you make a mistake, you have to absorb it. With billions of dollars in trading, it's a real risk." He added: "Profit margins are not wide enough to support the degree of risk."

The next area of high growth could be post-retirement health care and how corporations are funding that liability, aid Mr. Appell. "The jury is still out."

Meanwhile, global banks also are moving into the global market for non-U.S. pension funds. Mr. Appell pointed out the concept of a master trustee is being exported to the United Kingdom. Non-U.S. firms with U.S. subsidiaries and the influx of new Canadian investments are other areas of growth.

Fiduciary Trust Co. International, New York, appears in the survey for the first time, but it is not a new firm. The firm specializes in master custody services for endowments and foundations.

Ben Fisher, senior vice president, said that while pension funds look at the master trust/custody services as a commodity product, endowments do not.

Endowments and foundations are "willing to pay for more customized reporting," Mr. Fisher said. ■